THE OUTLOOK

Continued Expansion of Business Loans—The International Situation—Could England Draw on Our Gold?—Condition of Federal Banks—The Market Prospect

THE recent sharp decline of prices, from which so far only a moderate rally has been shown, came as a surprise to a large section of Wall Street. Many had assumed that enough credit would be released from general business uses during the winter, when there is usually some seasonal let-up in the activity of trade, to bring somewhat easier money rates in investment centers and therefore to permit some gradual gain in security prices. The actual outcome was quite different.

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BUSINESS CREDITS EXPAND

THE demand for business credits not only has shown no winter contraction, but even the raising of the Federal Bank rediscount rates has failed to prevent a further expansion. Last week the commercial bills discounted by the banks rose from $751,000,000 to $823,000,000, and rediscounts on Government paper are also showing a tendency to rise. General business, instead of making a smaller demand upon the money market, has increased its requirements.

Evidently this is in considerable part due to the rise in the level of commodity prices. From Oct. 1 to Feb. 1 Bradstreet's index rose 7%, and our price level is now more than 2.4 times that of June, 1914. This latest rise, coming on top of the big previous advances, and with only limited credits available, has undoubtedly had a good deal to do with the money scarcity.

Another reason is that business profits are no longer fully keeping pace with rising prices. High wages, the inefficiency of labor, car shortages, occasional inability to get needed materials, and an unpleasant degree of uncertainty and confusion which still remains as a legacy of the war, have caused expenses to rise until profits are beginning to shrink a little in spite of the generally keen demand for goods.

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THE INTERNATIONAL SITUATION

OUR exports are gradually falling and domestic business will before long feel some effect from the lessened foreign demand. The extreme depreciation of foreign exchange makes foreigners hesitate to pay the necessary premium to get our merchandise. Not that a normal foreign trade is not perfectly possible when foreign exchange becomes fairly well "stabilized" at a point of depreciation approximately representing the lowered value of foreign moneys; but the present condition of uncertainty, with foreign buyers fearing a still greater fall in exchange rates here, must necessarily check purchases. Some boats are now leaving our shores only partly loaded, and some merchandise shipped abroad on consignment has been returned because of the great further fall in exchange since the shipment was originally made.

In this way the international situation is becoming a live element in our immediate prosperity. The delay in ratifying the Peace Treaty has prevented any broad, constructive treatment of the whole problem of foreign trade. But few corporations have been formed under the Edge Law, and those formed

have remained almost inactive. Efforts are now being made for some sort of international supervision of foreign trade. It remains to be seen whether they can be successful.

* * *

DEPRECIATION OF ENGLISH MONEY

COMPARATIVE price levels give indisputable evidence of the depreciation of the English pound below its gold value. Counting from the bottom of the price reaction which followed the armistice, early in 1919, American prices have risen 21%. But English prices have risen 36%. Moreover, the growth of this difference has been progressive. Since Dec. 1, for example, American prices are up only 4%, but English prices over 11%. This constitutes a gradual recognition by English markets of the fact that British paper money is not equivalent to gold.

The premium on gold arriving off the English coast indicates the same thing, but is less reliable because, with only small amounts of gold arriving, its price is based largely on the exchange rate with New York.

An interesting question is whether England could draw gold from America by indirect routes. The present exchange rates would of course bring gold to America in floods if a free gold market were permitted abroad; but that is out of the question for a long time to come. In the mean time we are losing gold to South America and the Orient. Already more than one-quarter of our net gold gain during the war has been exported. Some are asking whether England, by exporting to Argentina, for example, more merchandise than it imports, could get some of the gold which we have sent to Argentina; or whether it could get that gold by simply paying a premium for it.

Such a result appears highly improbable. It would be uneconomic, and it would unquestionably cause a lively protest by our own Government, which England could not ignore in view of her heavy interest obligations to us. The United States would be justified in demanding that England should pay a part of her big debts to us before resorting to artificial means of drawing, even indirectly, upon our supplies of gold.

* * *

OUR CREDIT LIMITS

THE effect of the increased demand for business credit mentioned above has been some decline in the Federal Reserve ratio of reserves to deposits, which now stands at 43.2% for the whole country and 38.9% for the New York bank, even after the reduction of New York's loans on stock market collateral to about $1,000,000,000 against $1,750,000,000 last July. The money released by the market has been speedily absorbed by general business, where speculation continues scarcely checked at all.

These reserve figures afford no cause for alarm, since the law permits them to fall to about 37½% before any compulsory increase in rediscount rates are provided for. There is, of course, no absolute limit below which reserves cannot fall. The law simply requires progressive increases in interest rates when reserves go below 40% against reserve notes and 35% against deposits. A fall in the reserve rate even from 43% to 38% would mean a tremendous increase in bank credits.

The Federal Board, however, which now has far greater power over the business of the country than the President or any other authority, has felt the necessity of checking the expansion of credit before the reserve minimum was reached, thus anticipating the progressive increase of rates provided in the law.

There can be no doubt as to the wisdom of this course. The change in our bank laws resulted in such a gigantic enlargement of possible supplies of credit that it would be unsafe to permit expansion to run its full course until checked by the law itself.

The result is, however, that investment prospects and to a great extent immediate business prospects also are now dependent upon the decision of the Board as to the extent to which credit expansion may proceed before it is deemed necessary to raise rediscount rates.

* * *

THE MARKET PROSPECT

THE market as a whole, measured by an average of both railroad and industrial stocks, has now lost slightly more than half of its entire advance from the low point of December, 1917, to the high point of last November. This tremendous fall has, moreover, occurred within the short period of three months.

The usual effect of falling prices is seen in wide-spread discouragement, not only in investment circles, but also to a considerable extent in industry also. We believe that this pessimism is being considerably overdone. The extreme rapidity of the decline has been due to an unusual combination of unexpected conditions, the most important of which has been the forcible deflation of investment markets while business credits are still permitted to expand even though based in part on speculation.

The weakness in railroad stock is evidently due, first, to scarcity of capital, which tends to raise the interest return demanded by investors; second, to renewed strike agitation; and third, to sympathy with the fall in industrials. Various railroad securities are unquestionably cheap. The pending legislation will, however, cause readjustments of values all along the line, since the roads must operate under entirely new conditions. Investors should watch this situation carefully as it develops. It will be discussed in frequent articles in this publication.

Industrial stocks have been more than adequately liquidated to meet present conditions. It must be remembered that a Supreme Court decision is still pending as to the application of the income tax to stock dividends. If the decision is favorable, as most lawyers believe it will be, the way will be opened up for the distribution of the large surpluses held by many companies in the form of new stock issues. Even regardless of the decision, such distributions are probable by a number of companies and would furnish excellent bull ammunition.

It is also true that most industrials are still doing a very profitable business and earning good returns on their securities. There will probably be some slowing up of general business activity in the latter half of the year, but 1920, taken as a whole, is likely to show good results for most business enterprises.

As this is written, liquidation seems to have run its course at least temporarily and the technical position is well balanced. There has been a considerable absorption of stocks in small lots by private investors. Large interests appear to be temporarily inactive pending the further development of events.

Tuesday, February 17, 1919.

President Teagle on the Oil Situation

Standard Oil's Policy of Silence Broken—What the Company Is Doing in the Way of Exploration and Development—How New Methods and Processes Are Originated—Its Big Fleet of Tankers Busy

Interviewed by **FRANCIS J. OPPENHEIMER**

WALTER C. TEAGLE, who was elevated a few years ago to the presidency of the Standard Oil Co. of N. J., is characteristic and representative of the group of forward-looking industrial giants who have swung into the saddle of Wall Street. One by one, the old magnates are passing, or have passed away, and the younger set, clear of eye and quick of brain, is rapidly grasping the reins.

And when you're told that Mr. Teagle is six foot one, and weighs over two hundred pounds, you'll understand why it took an entire crew of mechanics to squeeze him through the door of a crude oil still he had crawled into, to dig out carbon. In those days "Booty," as his comrades in overalls called the young man who now heads the richest corporation in the world, was earning exactly 19½ cents an hour.

In spite of the fact that Mr. Teagle gained his knowledge of the oil business from the ground *down*, as the foregoing anecdote indicates, he really has suffered little from the "outrageous shafts of fortune." He has seldom been "out ot luck," or as all his bromidic biographers put it, he was "born with a silver spoon in his mouth." And as for "connections." You'll see what I mean when you learn that the "C" in his name stands for the memory of his maternal grandfather, Morris B. Clark, John D.'s first business partner in Cleveland. Also, that Teagle's father, John, was a member of Scofield, Shurmer & Teagle, rich operators of that same city, before they were "absorbed" by the S. O. Also, that Mr. Teagle's wife, formerly Miss Rowena Bayliss Lee, is a daughter of the late James Lee, a rich Memphis operator.

Mr. Teagle attributes his success to both his wife and his father. The former he married the same year the old Standard Oil was "dissolved" by the Supreme Court, and the latter came between him and a scientific career.

Dons the Overalls

A few years later—this was 1900—Cornell as Bach of Sciences, the head of Mr. Teagle's department called him into the office and informed him that if he would return the next year for a Ph.D. he might secure a post as instructor in chemistry. It seemed like a great opportunity to Walter, who loved chemistry as only a student can love an abstract thing. A telegram apprising him of his mother's illness brought the would-be professor back to Cleveland. When dad learned of the chance his boy had of earning $600 a year in a college leboratory, why dad just laughed himself to death. Between sardonic ha-ha's, dad informed son that he had spent $1,200 a year on Walter's eddication. Would son make up the difference? Turning on bewildered Walter, he exclaimed dramatically:

"See that closet there!"

Son tremulously opened the Bluebeard chamber and found no beheaded beauties, but the family skeleton in the way of a pair of grimy overalls. These had been dad's when dad was an active unit of the "producing" class. Walter hopped out of his nifty rah-rah college togs, like a movie star, into the livery of honest toil. This was his introduction to what the Bolshevists would call "the earning class," and his good-bye to all hopes of academic fame at Cornell.

WALTER C. TEAGLE

Executive head of the Standard Oil Company of New Jersey

Civilization began, philosophers tell us, when man made a fire—'twas something beyond the imagination of our long-tailed ancestors. But Civilization would soon degenerate into prehistoric apathy if a mechanic of the type young Teagle then was were permitted to do nothing else year in and year out but light fires under stills. This, by way of saying, he evolved, industrially, for his natural talents soon found him in the company's laboratory. The lad's mind, too, seemed to have some chemical affinity with the sweats of "mother nature," or oil, if you will. And besides, as you know by now, he had "a friend in the business."

A few years later—this was in 1900—his father's firm being "merged" with The Republic Oil Co., young Teagle was promoted to a Vice-Presidency, and as such, travelled all over the country, gaining at the same time a pretty good first hand knowledge of refining and production methods. It was not long before Fate (an imaginative term for the S. O. Board of Directors), brought him to 26 Broadway, New York. The naughty Trust installed him in the export department, and he showed such aptitude for this new responsibility, that when an expert was needed to study the foreign field, he was picked for the post. From his London headquarters, he made rambling trips over Germany, Roumania and Galicia, not as a Beloved Vagabond, but on the trail, most earnestly, of the precious fluid that stands between Man and the Night.

"Off again, on again, gone again Finnigan," had nothing on this outside man who was breaking through to the inside of the foreign situation. And even while the news of his election to the presidency of the most powerful corporation in history was being sent over the news wires of the world, this industrial nomad was nonchalantly packing his Gladstone for another inspection trip.

But to go back to Europe, or rather in coming back to the States with Mr. Teagle, we learn he had been promoted again, this time to a vice-presidency of the Imperial Oil Co., Ltd., and had become a director of Standard Oil.

He was then thirty-six years of age. Peru was now coming under the suspicion of this chemical Mystic. There were opportunities there for those who could grasp them. Did he grasp them? Guess for yourself, or to let you into an open secret, he inaugurated the development of the Peruvian oil field, opening up at the same time a profitable crude oil supply for this S. O. Canadian subsidiary. Thus was brought into being (a trifle metaphysical for oil, I'll admit), The International Petroleum Co., which, operating as an Imperial subsidiary, purchased, or let's be vulgar and tell the truth, "bought up" the native operators.

Transportation now loomed up as the great problem. Tankers, a fleet of 'em, were quickly constructed, and Teagle soon had millions of barrels crossing the equator for the frozen North.

Secrecy Out of Date

Both A. C. Bedford, Chairman, Board of Directors, and Mr. Teagle, President, contrary to the older generation of S. O. magnates, are in favor of informative publicity of the corporation's activities. So is the Board of Directors. In the good old days, now happily gone by, it was always a sporting event even to get by one of the darkey attendants in the Standard Oil building. The corridors

of 26 Broadway seemed to exist only to disconnect anyone not "in the know" from what was going on in the various committee rooms. Intrigue and mystery surrounded these secret meetings, all of which were bathed in a silence so ominous that at times its sinister echoes were heard round the world.

When Mr. Bedford succeeded John D. Archbold, he announced to the assembled newspapermen waiting for some statement: "The Standard Oil Co. has nothing to hide, and the doors are always open to legitimate seekers after news." And Mr. Teagle, following Mr. Bedford's precedent in this as in many other matters of S. O. policy, says, "This company is essentially a public service corporation." The Standard Oil gets out a house magazine, *The Lamp*. And I secured both the foregoing and the following material, not from outside sources, but from notes made in the Chairman of the Director's private Board Room.

Mr. Teagle's assistant told me that his chief frequently works fourteen hours a day, to leave at night with his portfolio bulging out with "the papers." If his son, with whom he dearly loves to romp, gives him any opportunity, he goes over these at night in his Park Avenue home. Mr. Teagle's hobbies are books, paintings and dogs, and I regret to say, shooting. Some time, I hope, he'll read De Maupassant's short story, *Love*, which deals with the attachment of a wild duck for its female that has been brought down in the marshes by a sportman's shot. The male bird keeps circling over the spot calling piteously, until another bullet stops its frantic flight, and down it drops out of the azure by the side of its cherished mate as if a string had been cut. But I don't tell it as poignantly as the brilliant Frenchman.

I am not writing a history of the Standard Oil Co., for this is a twice told tale from any and every angle you'd get on it. Nor do I enjoy bandying the names "octopus" and "plunderbund." Suffice it here to say that some of the largest private fortunes in America are linked with this industrial institution.

Civilization and Oil

This is all "old stuff" and these are forward-looking days. Let the dead past, etc. We know one thing for a cinch—until oil came on the scene, Civilization was selling below par with no takers.

To follow the story of oil is to follow the advance of man from the age of steam to the age of electricity—from the day of individualism to the day of co-operation. What it has done in adding to the enlightenment and comfort of millions of men the world over has never, perhaps, been adequately told. The part the common kerosene lamp has played in human progress is in itself a great industrial and social romance.

Standard Oil, until 1911, supplied three-quarters of the oil demands of the world. This sounds like service. Gasoline, naphtha, fuel oil and natural gas supply a large part of the motive power of commerce. Most vehicles of transportation are to-day propelled by oil or gasoline, and steam and electricity are in danger of being supplanted by fuel oil. Petroleum may soon become the motive power of the American navy and Great Britain relies on the Cowdray syndicate to provide fuel for its navy. Then there are turpentine, vaseline, lubricating oil, paraffin, axle grease and a couple of hundred other by-products that are used daily wherever the white man has spread his civilization over Dame Nature.

Mr. Teagle estimates that by 1925 the world will need 670,000,000 barrels of crude oil, against 376,000,000 produced last year—an increase of 78%. Where is it coming from? "No one can now tell that," says Mr. Teagle. In the mean time Standard Oil is ransacking the world for new production.

I've overcome the temptation to be a Crusader and have gone to the other extreme. All extremes are bad. Anyhow the Standard Oil Co. has just celebrated the fiftieth anniversary of its original charter, and Mr. Teagle, though cheerful over the prospects for the present year, says, "The present directors are facing problems as difficult and as trying as those which confronted the founders of the company." Mexico is the principal spot that cramps Mr. Teagle's optimism, for he says "The situation is chaotic there." It appears that we used in the United States, last year, 436 million barrels of oil, according to Mr. Teagle, who has prepared some staggering figures, and by 1925—five years from now, we'll need, according to his estimate, 670 million barrels, an increase of more than 225 million.

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AN OIL CARRIER

A Standard Oil tanker at the docks at Port Arthur, one of the great oil ports

"New uses are continually being found for petroleum," he says. "During the last year over one million barrels of crude oil were produced each day, or to give the exact figures, a total of 376 million barrels."

The inquiry as to where this tremendous amount was to come from brought, "No one can now tell that." So I tried another.

"What is the Standard Oil doing toward increased production?"

"The producing department is planning a most active campaign," Mr. Teagle replied, "of exploring and development outside the United States. The policy of the company at present is to be interested in every producing area in the world, provided of course that interests can be secured on a basis that would seem to hold out the possibilities of success, and where the lives and properties of American citizens will be respected. We are now operating in Roumania and investigating prospective oil producing properties in Russia, Galicia, and elsewhere in Europe. At this moment, we have a party of practical oil men and geologists in South America and another expedition is making preparations for a survey of another part of that country.

"In Peru, the International Petroleum Co., Ltd., is arranging for an increase of 100 per cent," Mr. Teagle continued, "in its drilling campaign, and to the North of us, The Imperial Oil Co., Ltd., is most energetically developing production in Western Canada. It has a number of 'wild cat' wells drilling; also, a rig-up with a crew in Winter quarters within the Arctic circle, 1200 miles from the nearest railroad."

Being a blizzardy day, I shivered at the picture, but was brought into a warmer climate by Mr. Teagle's information that "In the new Homer pool the S. O. Co. (Louisiana) has been most active in acquiring a large acreage, and in Southern Oklahoma a promising pool is being opened up. Rest assured that every man in the producing end of this company is keenly alive to the pressing necessity of a large increased output—that we are all endeavoring to do our share in providing for the huge quantities of oil called for by the industries of the nation." (This was not uttered in as lofty a tone as it reads in cold type.)

"It is no longer safe to trust to a large extent to the work of 'wild catters' in bringing new sources into production. The Standard Oil Co. of New Jersey is investigating fields where prospects of immediate returns are not sufficiently good to induce "wild catters" or small companies to assume the risks. Last year an increase of 100 per cent was shown by our subsidiaries and associated companies over their production of 1918. This was due largely to the successful operation of the Transcontinental (S. & O. subsidiary operating in Mexico), and to the acquisition of a half interest in the Humble Oil Refining Co."

Keen for New Methods

An inquiry as to the manufacturing problem of the company brought:

"As I see it, the problem is how to obtain the maximum value in finished products from each barrel of crude oil refined. Any correct idea of the great possibilities for improvement in manufacturing methods and type of construction is hard for a layman to conceive, but our manufacturing committee and the various refinery superintendents ap-

preciate their importance and vie with one another in a spirit of friendly rivalry. New methods are being developed and the refining of petroleum is being reduced to a science.

"The possibilities, eight years ago, of obtaining gasoline from gas or fuel oil were unknown. Last year something over 15 million barrels were produced by the so-called Burton process. Without the 'cracking' process, it would have been impossible to supply the gasoline requirements of the United States, not to mention our export trade."

"Co-operation," according to Mr. Teagle, "is not only workable, but it is indispensable." Listen to him: "The thinking capacity of the wage-earner has been the most neglected asset of modern industry, and through the workmen's classes, now being conducted in Bayway, we are endeavoring to secure from our men not only a daily output of labor, but also to draw upon their ideas, their enthusiasm, their imagination, and their experience in a never-ending campaign to do things a little better than they have ever done before."

And again: "There is one feature common to all branches of our business activity, more important than crude oil, pipe lines, refineries, distributing plants and ships, and that is the human factor. This company is one of the largest employers of labor, and no matter how great our material resources may be, we cannot expect to be successful unless we have the loyal co-operation of our employees. Our industrial Representation Plan stands for a square deal for each and every employee and the recognition of the employee as an individual with a right to a voice in matters that directly concern him."

Can it be that Trotzky and Lenine stole their Soviet ideas from the Standard Oil Directors?

"When the Standard Oil Company's business is referred to, many overlook entirely that we are not alone an oil company, but that we have very extensive investments in the natural gas business," Mr. Teagle volunteered. "The future problem in the natural gas business is to supplement the diminishing supply of natural gas with an artificial product so that the investment in pipe lines and distributing facilities may be conserved. Our gas people have the necessities of the situation fully in mind and considerable investments have already been made in by-product coke ovens, the gas from these ovens to be used in supplementing the natural gas supply."

The marketing problem as Mr. Teagle sees it is "not a new one." It is to provide the necessary equipment and an efficient personnel so as to give customers the best possible service at a minimum cost of distribution. The Standard Oil Co. of New Jersey has the largest privately owned fleet under the American flag, totalling 45 tank steamers of approximately 450,000 tons deadweight, with 17 additional steamers of about 225,000 tons contracted for. Delivery of these is expected within the next fourteen months.

How I Handle My Own Funds

VII—Importance of Knowing the Condition of an Industry—The Story of a Little Odd Lot

By **RICHARD D. WYCKOFF**

IN previous articles I have referred to the importance of a thorough understanding of the industry represented by the security in which you have decided to invest. One cannot place too much emphasis on this point. Some people, when they look at the list of securities quoted in the dailies, do not know whether the abbreviated titles refer to railroads, industrials, or billy-goats. But they ought to know and especially should they be acquainted with the history, finances and character of management of their chosen enterprises.

For a long time I have been familiar with the history and development of the phonograph industry, and have made calculations as to its future trend. For many years it was largely monopolized through the protection of patents which some people disputed but which were at any rate effective. And so when last February I was having lunch with a friend, and he told me something important was likely to come out of the approaching meeting of the American (now Columbia) Graphophone Company, I knew that back of any immediate development in that company's affairs there was a solid foundation for what might occur.

We were discussing how the millions of soldiers who went to the war were coming back music-crazy, and how their experiences abroad and in American camps proved to them the value of the phonograph in the home; how people who never before could afford such luxuries were now able to buy, resulting in an unprecedented demand for both machines and records.

"I understand," said my friend, "that the announcement to follow the Columbia meeting is likely to put the stock to 150."

As the issue was then selling around 135 I did not pay much attention to it,

> **When it is realized that in buying a stock you are buying an interest or partnership in a business, it will be seen that one should give this subject the same thought and attention that he would if he were buying into a real estate, grocery or manufacturing proposition. Shares of stock are merely evidences of partnership.**

and had almost forgotten the incident when one morning, coming down to the office, I noticed in my newspaper a small announcement to the effect that the Columbia directors had declared a dividend of $2.50 per share in cash and one-twentieth of a share in stock. Elsewhere in the paper, among the obscure news items, it was suggested that it would be the policy of the Graphophone Company in future to disburse a certain amount of cash every quarter and a small stock dividend as well. Both the official announcement and the small news item were couched in such modest terms that the significance thereof did not appear on the surface.

How It Figured Out

But a little mental calculation worked out like this: $2.50 per share per quarter meant $10 a year. One-twentieth of a share per quarter was four-twentieths, or one-fifth of a share per annum. If the market price of the stock is 135, this one-fifth of a share equals $27 per share per annum, or a total of $37 per share—counting cash and value of stock—dividend. Conclusion: The price should advance to from $200 to $300 per share, dependent upon how certain the regular stock dividends are intended to be paid.

Upon reaching the office I phoned the company's headquarters and found that the management planned to declare these quarterly stock dividends at the one-twentieth rate indefinitely, so I started to invest at least $15,000 in American Graphophone common at the market price. Evidently other people were awake to what that little announcement meant, for there were lots of buyers and few, if any, sellers. I finally succeeded in buying two twenty share lots, averaging 164¼, and the next that was offered to me was around 179. As this was a long way from the price at which I started to buy, and I didn't like to bid up against so much competition, I decided to give the forty shares to my wife and to see what I could do for her with the little

odd lot. Soon the price was 180, then 200 bid, with hardly any transactions in the meantime.

These forty shares of stock cost $6,575, which, while not much of an investment, had great possibilities, considering its size, as I will show. It was not my first transaction in Graphophone, for I had made considerable money in it on previous occasions, buying it around 70, selling at 135, re-buying around 110, and carrying it up to 160. Considering these transactions, the forty shares cost me much less than nothing.

About five years ago THE MAGAZINE OF WALL STREET published an article on the phonograph industry, which showed it to be in a very prosperous condition with an outlook that was exceptionally promising. A certain New York stock broker, knowing that the stock of the old American Graphophone Company had been well distributed many years before, and that control was to be had in the open market, went to Wilmington, Del., and succeeded in obtaining a fifteen-minute interview with the Du Pont interests. The upshot of this was that the Du Ponts acquired control, buying the stock from below par up to nearly $200 per share for the last of their stock.

What Followed the Interview

Then began a period of development and expansion under the new and more progressive management. In consequence, the company has made very great strides in the last few years. During this time the stock, which had reached 196 or thereabouts, gradually declined, until in the summer of 1918 it was selling around $50 per share. Somewhere between that level and the 135 figure which prevailed when my attention was again called to it, those in control evidently saw an opportunity to "put it over big," just as they have in General Motors and other large corporations in which they are interested, with a resulting scarcity of stock when the news came out.

I knew that the new corporation which had recently taken over the old was supplied with an issue of common stock far in excess of what was to be used in the exchange for the old shares, and in this dividend announcement I read between the lines and was able to forecast much more accurately than if I had not been familiar with the past history of the Columbia, and had not studied Du Pont methods of financing and development.

In the previous article you will find a reference to the technical position. It would be difficult to imagine one stronger than that prevailing in this stock after the news came out, because, in simple Wall Street parlance, "there was none of it for sale." And it was not long before the stock sold at over $300 per share.

During the summer, while I was on a long trip to Alaska and the Coast, I used to get the New York papers from seven to fifteen days late, but I knew that anything big or important would take several weeks to consummate, so I would have ample notice.

Stock in the Marking Up Stage

With frequent resting spells and reactions the stock climbed steadily to $400, and then to $500 per share, and with each fresh advance the stock dividends which were being distributed quarterly became more valuable; that is, the one-fifth of a share per annum (consisting of four quarterly payments of one-twentieth of a share) had a value of $40 per share when the stock sold at $200; $60 per share at $300; $80 per share at $400; and $100 per share when the price advanced to $500. It was the closest thing to "lifting itself by its boot-straps" that I had ever seen.

On the 40 shares the first dividend amounted to 2 shares; the second to 2.1 shares, making 44.1 shares. By that time the shadows of coming events began to show, for the company announced that it would shortly exchange the old stock of $100 par, for new stock of no par value, and that each holder of one share of old would receive ten shares of new stock. Occasional transactions on the Curb had been in the neighborhood of $500 per share, and now the new stock began to be traded in "when issued" between 43 and 50, and during the month of August, 1919, ran up as high as 59. At the low level of 43½ to 46 during August and September the stock showed excellent resistance, while the rest of the market remained weak, and from its action I came to the conclusion that we were approaching the "fire-works" stage.

Along in October the stock was listed on the New York Stock Exchange and began to be very active, advancing rapidly several points per day until it reached 75. The volume of trading greatly increased. In some sessions there were from 50,000 to 75,000 shares dealt in, to say nothing of the odd lots which were not recorded. Numerous newspaper articles called attention to the company's development. I watched it work back and forth between 70 and 75, and when I saw certain indications appear, made up my mind that if it again declined to 70 I would sell part of what once was an odd lot.

There are many men in Wall Street and throughout the country who make a practice of taking profits in accordance with their ideas of proportion, something like this: They say, "Fifty points is a big profit, even if it is on a small lot of stock; therfore, I will take it." Others say to themselves, "I have a profit of a hundred per cent on my investment and that's good enough. I will let someone else have the rest."

In the case of American Graphophone, I followed a different rule. The number of points, or the percentage of profit, did not influence me. The fluctuations were interesting, but whether the stock went up or down, I decided to wait for it to reach a certain point before I would take profits. This meant *the point where the insiders began to sell.*

Results up to This Point

The 44.1 shares were by that time exchanged for 441 shares of new stock, and soon afterward a dividend of a fraction over 22 shares was received, making 463 shares, worth at $70 per share $32,410.00

Plus three dividends at $2.50 per share on various lots........	315.25
	$32,725.25
Less cost of original 40 shares and commissions	6,575.00
Paper profit at $70 per share...	$26,150.25

The stock dividends which were coming along quarterly amounted to 23 shares or $1,610 worth per quarter, or $6,440 per annum if the stock remained at $70. Add to this the cash dividends, which, on the new stock amounted to one-tenth of the old, and were being paid at the rate of 25 cents per share, or $1 per annum, the income amounted to about $6,900 on an original investment of less than $6,600.

That was a big percentage, provided the stock stayed at $70 per share, but the action of the stock indicated that insiders were selling at least a part of their line, perhaps enough to get back their original investment. Deciding that when insiders sell it is time for outsiders to sell, I disposed of 263 shares at 70, which gave back the original $6,575, besides $12,080.25 in cash, in addition to 200 shares paid for in full. In fact, allowing for the profit and cash dividends, these 200 shares cost about $60 a share less than nothing. So I didn't see how my wife could lose on that transaction. Yes, she was pleased.

Selling part of the lot put me in a good position for another reason. If the insiders were to support the stock on a decline, then lift the price to a new high level, I could take advantage of it with the remainder of my holdings. But if, as was more likely, they allowed the stock to sag off, I could replace what I had sold at a lower level and then take advantage of any secondary advances and distribution that might occur.

The 200 shares which remained were bringing in, in cash dividends, $1 per share per annum, or $200 per year, and the one-twentieth of a share dividend yielded ten shares of additional stock every three months, or forty shares per annum. This was worth, at $70, $2,800, or, say, $3,000, including the cash dividends. Of course, I realized that if the stock declined to 60 or 50, these stock dividends would be worth proportionately less, if I were to sell them as soon as received. Of this I had no intention, because I saw no signs that the DuPonts were through with Columbia Graphophone. In fact, their campaign of expansion and development had apparently only begun. I read, in the news items, that they were spending $9,000,000 in new plants with which to double or treble their production.

A "Sound Business"

The production of Columbia disc records in 1919 amounted to about forty million. They were planning for an eighty million output in 1920. Demand for phonographs and records was so great that it had already led to a scarcity of

furniture throughout the country, because all the furniture factories were making phonograph cabinets. The company's Dictaphone, on which I am dictating this article, represents the greatest step forward in the history of correspondence since the advent of the typewriter, and the wax cylinders which users of the Dictaphone consume, made another profitable part of the Columbia Graphophone Company's business.

From these and other facts it was apparent that the insiders who sold from 70 to 75, were merely making a turn to release some of their original investment; that it was not the final culmination of the advance, although the rise from 50 for the old stock in 1918 to 75 for the new stock in 1919 (equal to over $850 a share for the old stock, allowing for stock dividends) represented an increase of perhaps many times the original DuPont investment.

With these points in mind I placed odd lot scale orders in such a way that I would benefit by any decline, and if the stock went low enough I would buy back the 262 shares which I had sold. On the other hand, if, after I had bought some of it and the price rallied, I would sell that out and repurchase as before.

By this method I was able to buy back some of the stock as low as 60 in November, and re-sell it on the way up to 71 in December. After this rally the stock again shaded off, and for the second time I bought down to 58 and re-sold not far from 70 on the subsequent rally. This small scale trading in odd lots netted an additional profit of several hundred dollars.

By this time the market had become pretty well saturated with the stock in the range between 58 and 75, and the last time it declined to around 60 the technical position became so weak that I suspended further buying until I saw signs that the weak holders had sold out. This they did partly in January, their sales depressing the price to 47. When some reaccumulation appeared again between 50 and 53 I bought enough to make up an additional hundred shares, which, allowing for profits on the odd lot trading below 70, stood me somewhere around 56.

In the February smash more weak accounts in Columbia were liquidated, along with the rest of the market, and on the decline to 36½, I bought 50 shares more at 39⅛. This, together with an intervening stock dividend of 11 shares, made a total of 361 shares on hand. Allowing for the stock dividend, the average cost of the 161 shares bought back or received was about 47, and represented a reinvestment of less than $8,000 out of the $12,000 cash previously derived.

With the remaining $4,000, 100 shares additional can now be bought, for the stock is still selling around 40. If I include the 200 shares which cost nothing, the average of the 361 shares is about 21. This is mentioned to show the advantage of the marking down process.

(Continued on Page 528)

The Economic Situation Abroad

The Condition of European Countries Analyzed—Trade Situation in Great Britain—Opportunities for American Investors Offered by German Securities

England

Decline in Exchange Temporarily Carried Too Far—Fiscal Outlook—Bank of England Statements

AMONG the unusual phenomena of the after-the-war period in Great Britain is the sight of gold selling at a premium over the paper pound sterling. The premium on gold has run as high as 37%, and is about equal to the depreciation of the pound in exchange as measured with the leading outside exchange center, New York. It has been fluctuating with the wild exchange fluctuations in New York, and current prices for gold have not been seen since the reign of the Tudors.

The great decline of a few weeks ago carried the pound to new low levels; in fact, as it later developed, too low. The recovery that followed was partly due to emergency cessation of imports, to some extent to re-exporting. For instance, Lancashire, after being a heavy buyer of American cotton, is known to have shipped the same cotton back to the States, shipping charges and interest being absorbed by the difference in the exchange rate.

The whole foreign trade situation in Great Britain is becoming decidedly more encouraging. The country is now enjoying the doubtful blessing that Germany has long had—a heavily depreciated currency, which aids it in selling its goods to countries whose exchange is nearer the pre-war levels. Coal production is improving, in spite of distant muttering of a strike, and at present rates should raise last year's output figures over 10%.

British exports are now running at about £430,000,000 a year, while imports are about £669,000,000; with deductions for foreign money coming into the country in exchange for shipping services, re-exports, banking transactions, interest and dividends, it is estimated that £149,000,000 more are leaving the country than are coming in. This adverse balance is being reduced by heavy reductions in imports, increased competition in shipping and greater production leading to more exports.

The fiscal situation has been serious for some time, but by drastic taxation methods and co-operation of the investment bankers of London in the promotion of the "War Stock" or government loans, sufficient money has been made visible to assure the government of a surplus of revenue over expenditures, estimated by one observer at from £200,000,000 to £500,000,000. Definite figures will not be available till about March 31, when the budget will be presented.

The average taxation in Great Britain is about three times as drastic as that in France. For instance, a man with £10,000 pays about £6,000 in taxes in Great Britain, while a man with an equivalent income in France pays only about £2,000.

The weekly statements of the Bank of England have shown steadily increasing gold holdings. The ratio of reserve to liabilities is now well over 20%, compared with previous figures of some 15 or 16%. Note circulation has been increased but slightly, while deposit items have been showing a decidedly downward tendency.

The policy of the bank in raising the interest rate to 6% has been criticised in some quarters on the ground that it is an unnecessary hardship which will not bring about deflation in the present condition of the currency, and will not so act until the country is on an actual gold basis. Opinion is divided on this point, however, and the prevailing idea seems to agree with the theories of our own Federal Reserve Board on the subject.

Prices of securities in the London market have been declining for several weeks, but this movement appears to have been checked, except in the case of foreign bonds and home railway shares. American stocks have shown particular strength, notably coppers and rails.

Germany

Possibilities of Profit Making Through Purchase of German Industrials

IT seems surprising, indeed, how little advantage is being taken in America of the present low rate of exchange through the purchase of German securities. The much talked of impending bankruptcy of Germany is far from becoming realized. The Germans have gone back to work, sentiment in behalf of the establishment of a communist government is gradually dying out, and a period of thrift hardly known elsewhere has commenced. At the close of 1919, deposits in the Deutsche Bank amounted to a little over 7,000,000,000 marks compared with some $750,000,000 deposits in the National City Bank, one of the largest financial institutions of the world.

Among securities which offer good opportunities to the foreign investor are the German Municipal Bonds, protected as to principal and interest by the respective city which issues them. (THE MAGAZINE OF WALL STREET gave a detailed account of German Municipal Bonds in an artical published January 13, 1920.) In accordance with a bill which has been passed by the German legislative body, interests receivable from securities held by foreigners residing outside of the Ger-

man Republic are subject to a 10% tax.

Another possibility is offered through the purchase of German industrial securities. Those industrial organizations were built up at a time when the mark equaled about 24c., and the properties have been steadily improved and enlarged. Their value today cannot, therefore, be figured in dollars on the basis of the present rate of exchange.

Among the more attractive securities I wish to mention are:

(a) Daimler Motor Corporation, manufacturers of a high class internationally known car. Outstanding capital is M 32,000,000 of M 1,000 par value. The property and inventory at the beginning of 1919 amounted to about M 75,000,000. Net profit for 1918 after deduction of fixed charges and dividends, was M 3,503,219 or M 109.48 per share. The stock is selling around M 1,800 per share, or less than $20.

(b) Siemens-Halske Works, largest manufacturer of telephone and telegraph supplies, dynamo, medical apparatus, etc., is capitalized at M 63,000,000 of M 1,000 par; the company has set aside more than M 30,000,000 for contingencies and reserves. After payment of 12% dividends and interest on the M 14,000,000 4% and M 20,000,000 4½% outstanding bonds, the net profits for 1918 were M 13,954,780 or M 214.70 per share. The stock is quoted at M 2,700 per share, equal to less than $30.

(c) Bing Brothers, of Nuremberg, largest manufacturers of toys, optical and mechanical instruments, and kitchen utensils, is capitalized at M 15,075,000 of M 1,000 par value. Net profit for 1918 was M 3,829,477, or about M 254 per share; selling around M 250 or $27.

(d) General Electric (Allgmeine Elektrizitaetsgesellschaft), leading manufacturer of electrical apparatus and chief distributor of electric power in Germany. Through its subsidiaries it operates in Austria, Sweden, Russia, Denmark, Belgium, France, Spain, Portugal, and last, but not least, South America. Outstanding capital amounts to M 200,000,000 of M 1,000 par value. Bonds outstanding amount to M 112,000,000, which were issued for the purpose of acquiring control in other leading electrical and public utility companies throughout Germany. Net profit for 1917 (the latest figure available) was M 37,200,000, or M 181. a share. The price at present is around M 2,600, equal to approximately $28.

(e) Bochumer Coal & Iron Works, the leading producer of coal and steel in Central Europe, ranks among the foremost railroad equipment companies in the world. It was incorporated in 1854, has an outstanding capital of M 45,000,000 and M 9,000,000 4½% bonds. Net profit for 1918 after fixed charges, taxes and 22½% dividends (compared with 25% in the preceding year) amounted to M 15,600,000, or M346.67 per share, the stock selling around M 2,650, equal to about $28.

BERLIN CERTIFICATE ON GENERAL ELECTRIC COMPANY

How I Handle My Own Funds

(Continued from Page 527.)

At this writing I consider my position satisfactory. It does not matter to me whether the stock goes up or down. If it advances I will begin selling when I see more inside selling, and buy back on subsequent reactions. If it declines I will buy more—as much as I originally had, or perhaps a little in addition. If I observe persistent accumulation at the 40 level, I may buy the balance without waiting for any further reaction. If the price should steadily advance to a new high level, and it goes high enough, and I see unmistakable signs of further distribution, I will sell all or part, according to the appearance of the campaign, and whether, in my judgment, the insiders are selling out altogether or only in part.

This judgment would be based on the way the DuPonts have conducted their business affairs in the past. Some of the questions I would ask myself are: Have they been noted for their tendency to jump in and out of an industry, or when they get in, do they generally stick? Answer: They generally stick; therefore, I would assume that they are not in the phonograph business for a day, but, as in everything else they have taken hold of, to remain one of the leaders in their field.

Two courses are now open to me: I can buy another hundred shares, which would make a total of 461 at an average cost of about 25, or I can wait for the stock dividends during the next year and four months to yield 100 shares, without cost. In any event, the 361 shares now owned should produce stock dividends of something over 72 shares per annum, the value of which depends on the market price at the time I sell them. Most of the earnings are going back into the property and these should expand earning power faster than the stock is increased by the quarterly stock dividends.

The Salient Points

The points to bear in mind in regard to this little deal in odd lots are these: I knew the industry, its present over-sold condition and its future trend. Also the position of the Columbia Company with relation thereto.

Inside information said the stock would advance 15 points. It was wrong; the price rose hundreds of points. The information on which I really acted was open to everyone. I confirmed the facts at the company's office.

By putting myself in the place of the insiders I was able to follow their reasoning and see the purpose behind their campaign. I took profits when they did, thus placing the account in a strong cash position, beyond the possibility of loss.

Surface or present conditions were not considered, but only the facts which indicated what the future would be. Technical conditions were closely watched for signs of moves by the insiders.

Selling around the top provided the cash with which to replace at a lower figure.

Each hundred shares now owned is yielding 20 shares per annum and $100 in cash.

I did not get a full hundred per cent of the possibilities in this little deal, but came mighty close to it.

The above experience shows what can occasionally be done with odd lots, and disputes those who believe that fractional lots of stock are too small to bother with and should be ignored. I have described the matter in detail so that the reasons for every move are clearly set forth, and trust that the suggestions herein will be found of suggestive value to my readers.

Series to be Continued.

Safeguarding the Investor

Many newspapers and financial publications are eliminating irresponsible advertising from their pages. It is true that the beginning is small and there is much to be done. But the fact that there is a beginning means something better for the big army of future investors.

Education the First Step

Whether you are rich or poor, if you are an investor or need to be an investor, educate yourself before making the first step.

When to Buy Non-Taxable Securities

A Simple and Practical Plan by Which Investors Having Different Incomes Can Decide Whether to Buy Taxable or Non-taxable Securities

By **FRANCIS CHAMBERLAIN**

THE pressure of income taxes, especially that of the Federal surtaxes, has been steadily diverting an immense volume of investment funds into tax-exempt channels. In fact, it is effecting a shifting of investments from taxable to non-taxable securities, in many instances beyond the point which is to the best interest of the investor.

This article is designed to aid investors in determining whether they can more profitably place their funds in taxable or in tax-exempt securities by the application of a definite mathematical test.

An Illuminating Graph

Our first step in solving the problem was to construct a graph which would show for various taxable incomes the relative advantages of various yields obtained from taxable and tax-exempt securities as affected by the Federal War Revenue Act of 1918 when applied to income received in 1919 and subsequent years. The completion of this work brought us a long way toward solution of the problem, but the uses to which this graph could be put surpassed our fondest hopes—it is a financial "Ouija" board.

The reader will probably be curious to know the reason for the step-like formation of the four curves which wriggle across this graph. The answer is suggested by observing that the "rise" in each of these steps corresponds to $2,000 increment of income on the scale at the left and by recalling that the Federal surtax increases 1% for each $2,000 increase in incomes above $6,000.

Each flight of steps represents the yield of a tax-exempt bond. The top flight shows a 4% yield, the next flight below shows a 4.25% yield, and so on down to the one at the bottom, which shows 4.75%. Each flight has its position on the graph from its relation to taxable yields found at the bottom and incomes found at the left.

In other words, for a taxable income of, say, $38,000 the graph shows that the following yields are equivalent:

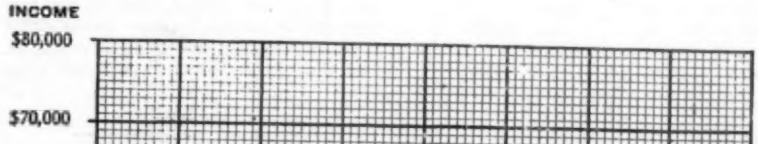
Non-Taxable Yields.	Equivalent Taxable Yields.*
4.00%....................	5.33%
4.25%....................	5.66%
4.50%....................	6.00%
4.75%....................	6.34%

This little tabulation is quickly determined from the graph by locating $38,000 on the income scale (each square is $1,000 in height) and running a horizontal line from this point to the flights of steps representing non-taxable yields. From the points where this line first touches each of these steps, drop vertical lines to the scale at the bottom of the graph where the equivalent taxable yields may be read (each square is .02 of 1% along its base). Tabulations have been prepared by others which show comparative yields of bonds, but the treatment of a practical problem will show the advantage of the graphical method.

It is essential, however, before taking up the more interesting discussion of a practical problem, to illustrate the use of the graph in handling non-taxable yields which lie off the flights of steps.

Suppose we wish to find the total allowable taxable income which an individual may receive, comparing a 6.20% taxable yield with a 3½% tax-exempt yield. The process of exterpolation is used, and, for those who have forgotten how, it is simply this: 3½% is ½% less than 4%, and a line of steps for 3½% would lie as far above the 4% steps as the 4.50% flight of steps lie below the 4% steps. Measure this distance along the vertical line running up from 6.20% on the taxable yield scale at the bottom of the graph. This will be found to be 16 squares, or $16,000, and should be added to $58,000, the income level at which the 6.20% vertical line cuts the 4% steps.

Suppose we wish to find the total allowable income on a comparative basis of 6.40% for taxables and 4.60% for non-taxables. This requires interpolation. A flight of steps for 4.60% would be between the 4.50% and 4.75% flights shown on the graph. 4.60% is ten twenty-fifths, or four-tenths of the way down from 4.50% to 4.75%. On the graph, the 4.50% step is 8 squares, or $8,000, above the 4.75% step measuring along the 6.40% vertical line. Four-tenths of $8,000 is $3,200. The 6.40% vertical line cuts the 4.50% step on the $46,000 income level, and would therefore cut a 4.60% step at $3,200 below this, or $42,800, the answer.



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This graph considers only the Federal War Revenue Act of 1919 as applied to incomes received in 1919 and subsequent years. It shows the most profitable net income which an individual may receive from taxable bonds yielding anywhere from 5% to 6.60%, before it is more economical for him to invest in tax-exempt bonds. The uses of this graph are fully described in illustrations printed herewith

Practical Application

The graph is only one step in the solu-

*It should be noted that for taxable bonds selling at such discounts the yield-to-maturity of the bond varies widely from the current income. The latter should be used.

tion since income from various sources is subject to various degrees of taxation. Personal and family exemptions also modify the answer. Fortunately, these complications are easily handled in the case of any given individual. Let us, therefore, apply the test to the case of a married man, having one child, an annual income from all sources amounting to $25,000, and the problem of investing $200,000 capital.

Many investors would at once say that there was but one course open to this man; the purchase of non-taxable bonds. This is by no means the case, as the following analysis of his income will show:

GROSS INCOME.

Salary, rents, profits from sale of property, etc.	$15,000
Interest on corporation bonds paying a tax of 2%	2,000
Interest on other corporation bonds	1,000
Interest on non-taxable bonds (including Liberty Bonds)	3,500
Taxable Liberty Bond interest	0
Other interest income	500
Dividends from stock	3,000
Total gross income	$25,000

DEDUCTIONS FROM INCOME.

Personal or family exemptions	$2,200	
General deductions (taxes, interest, gifts, etc.)	2,020	
Interest on non-taxable bonds (including Liberty Bonds)	3,500	
Total deductions		7,720
Net taxable income		$17,280

Let us assume that this man is debating as to the advantage of investing his $200,000 in tax-exempt bonds at 4.50% or in seasoned taxable bonds which may be purchased on a 6% basis. This comparative basis is chosen in this case simply because these yields represent an average for sound investments in both classes of securities, and may be varied at will.

Refer to the graph and follow the vertical line from 6% on the bottom scale to the highest point on the steps marked 4.50%. Always choose the highest point on any step cut by the vertical line. This point is on the $38,000 income level in this case, which is the total allowable taxable income. This should be termed the "income reference figure."

This man has a net taxable income of only $17,280, and the difference between this amount and $38,000, which is $20,720, could be derived from taxable bonds at 6% to better advantage than from non-taxable bonds at 4.50%. This is true, but fails to go far enough, due to the fact that $2,000 of his income comes from bonds of corporations paying a tax of 2%, and that $3,000 more is derived from stock dividends which are free from the normal tax of 8%. The $20,720 of additional taxable income should therefore be augmented $40 in the case of the bonds and by $240 in the case of the stock, bringing it up to $21,000.

The amount which he may invest to advantage in taxables at 6% is now readily determined by capitalizing $21,000 at 6% (by dividing by .06). This will be found to be $350,000, but if the securities to be purchased are bonds of corporations agreeing to pay a tax of 2% this amount should be multiplied by 1.02, giving a total of $357,000. This individual has only $200,000 to invest. He, of course, can invest this amount to better advantage in taxables at 6% than in non-taxables at 4.50%.

But there is more to be gained from a study of the graph. For instance, he may wish to find the lowest point at which the yield on his investment of $200,000 in taxables will produce an income at least equal to that gained from investing in non-taxables at 4.50%.

This yield is easily obtained by starting with present net taxable income (see above) $17,280 and adding the income from $200,000 new capital at 6%, $12,000, giving $29,280 which is derived from taxable sources. Just as above, we added 2% on bonds paying a tax of 2% and 8% on dividends from stock in deriving the total

(*Continued on page* 574)

No Definite Check to Business Activity

Reaction in Industrial Stocks — Steel Prices Rising, with Copper on the Decline — Excess Exports Gradually Fall

OUR monthly graph giving "The Trend in Money, Prices and Production" shows a number of important changes from last month. The wide difference between the interest rate for time money in Wall Street and the commercial paper rate continues. Time money quotations have varied a good deal. Some bids for money at as high a rate as 10% have been reported, but perhaps not on the best collateral. The range of rates shown on the graph undoubtedly covers the bulk of the business, which has been small because of the unwillingness of lenders to commit themselves to the future.

Commercial paper has stiffened about ¼% because of the increase in the Federal Banks' rediscount rates to 6%.

The exceedingly sharp reaction in the prices of industrial stocks is assumed by many to be the beginning of a real bear market, and therefore to forecast declining commodity prices and a slackening of business activity. But no decline in commodities had appeared up to February 1, as seen from *Bradstreet's Index*, and there has so far been no material change up to the time this is written. Even a moderate reaction in commodities would not be conclusive of a permanent change of trend, as there are so many new and confusing features in the present situation that no great regularity in these swings can now be counted upon.

Moreover, the decline in stocks has been directly forced by a reduction of loans on New York Stock Exchange collateral amounting to over 40%, during a period when business loans were permitted to expand. All this is, of course, new in market history, and we cannot therefore assume safely that the fall in stocks is a trustworthy indication of business reaction.

That there is so far no real let-up in business is shown plainly by the big increase in the unfilled orders of the U. S. Steel Corporation and in the production of pig iron. The steel business continues its upward swing in the customary way, in spite of all the abnormal influences which now enter into the situation. Bituminous coal production, also, having recovered from the effects of the strike, shows general activity in industrial lines.

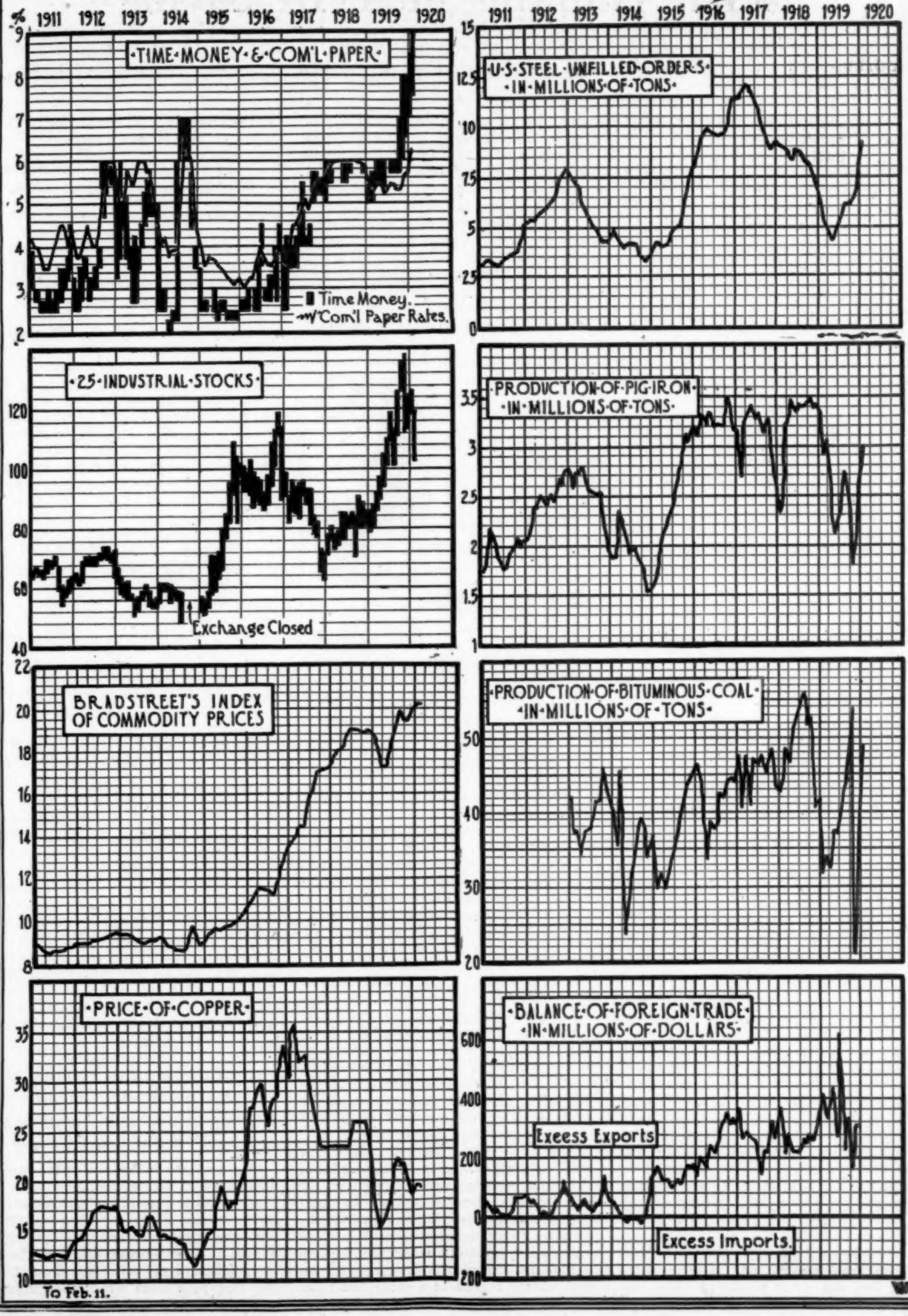
Copper, on the other hand, is inclined to lag behind the procession. With steel prices rising rather sharply, the price of copper metal continues almost stationary. There is a considerable export demand, but not enough to advance the price, in view of the considerable stocks of the metal now on hand.

The January foreign trade figures are not yet available, but there has unquestionably been a falling off in our exports in February to date. Many ships are leaving our ports without full cargoes. The cause, of course, is the uncertainty in regard to foreign exchange rates, which tends to make foreign buyers pause. This subject is more fully discussed in "The Outlook" in this issue.

We must expect a gradual fall of excess exports, but not, in our opinion, any precipitous drop. The downward tendency which began in the middle of 1919 will be continued, probably for a long period. That is the unavoidable logic of the situation. But changes in foreign trade are usually gradual. And since Europe now fully realizes the fact that its paper money is not on a par with gold, even though there is no free gold market in Europe large enough to give an accurate measure of the depreciation, it may naturally be expected that European prices will rise enough above parity with our own prices to partly offset the foreign exchange discount now prevailing here.

There is as yet nothing in sight to change our view that active general business will continue through the first half of this year, and no trustworthy indication of any important falling off in the last half. As to that, however, it is still too early to attempt definite predictions.

THE TREND IN MONEY, PRICES AND PRODUCTION



What Thinking Men Are Saying

Importance of Increased Production Emphasized Throughout Country—Drop in Exports Will Improve Exchange Situation—Comptroller Williams Confident of Future of Liberty Bonds

HIGH INTEREST RATES PROTECT BANK RESERVES

Prof. Warren M. Persons, of Harvard, Considers Financial Outlook Hopeful

"The beginning of the new year finds American manufacturing industries in a sound and prosperous condition.

"The tightness of the money market and the announced policy, already inaugurated, of the Federal Reserve Board of increasing discount rates have caused many observers to have grave misgivings for the financial outlook for 1920. Instead of causing alarm, the action of the Federal Reserve Board should, in fact, be regarded as a favorable omen. High interest rates are the main reliance for protecting bank reserves, and they spell not disaster but safety, provided they are applied in time. Control of interest rates is the safe and effective way of dealing with such a situation as we now face, and it is to be hoped that nothing—not even the needs of the United States Treasury—will divert the Reserve Board from pursuing the only sane and conservative course.

"The outlook for 1920 is for a continuance of a large demand for credit that will not be supplied except at increasing rates. High rates for bank loans will eventually tend to check the upward movement of commodity prices, as they have already checked the upward trend of security prices and the volume of speculation on the New York Stock Exchange."

GIVING CREDIT TO EUROPE IS MERELY SELF-PROTECTION

W. L. Saunders, of Amer. Mfrs. Export Assn., Explains Necessity of Quick Action

"The present demoralization of the foreign exchange market while the result of economic factors which have been clearly in the view of American exporters for several months, point to the imperative necessity of putting into operation at once one or more of the plans we have been discussing in this country for the buying of European securities.

"In their interest and our own, we must not loan Europe any more money except for food. When a friend in need requires financial support, it is true friendship not to loan more than is absolutely required for necessities, otherwise economic freedom is delayed. Europe will buy these things of greatest necessity to her economic adjustment if she realizes that she is giving in payment of the choicest prize of her industrial life—her securities.

"And so we Americans, if for no other reason than to keep our factories running and our labor employed must buy European securities. Bills of exchange will be drawn against these securities as they are sold (similar to merchandise) and large credits in Europe's favor will thus be obtained. We will increase our imports by the value of the securities purchased and by that amount will reduce this troublesome export trade balance, which is doing America and Europe so much harm.

"To be successful, to be in time, this campaign must begin at once. We must hammer home the point that this course of action is not international philanthropy but self-protection."

THE ONLY KIND OF STRIKING NEEDED

—From the St. Joseph News.

SITUATION DEMANDS PARITY BETWEEN GOLD AND SILVER

Senator Thomas (Colorado) Revives Ancient Theory of Bi-Metallism

"The United States cannot coin silver dollars today except at a loss, and the condition will soon apply as well to fractional currency. On such a basis the coins will go to the melting pot as fast as they are made, and inevitably precipitate throughout the world a famine in fractional currency unless the ratio be adjusted by international agreement.

"The volume of paper money in the world is out of all proportion to the value of specie, and in this condition lies the seat of the international exchange crisis. At the beginning of the world war the total paper money of the thirty principal nations of the world amounted to about $7,000,000,000, and in December, 1919, it had increased to more than $40,000,000,000, while the gold reserves of the same countries had remained practically stationary at around $7,000,000,000.

"We may, indeed we must, lend our credit to those whose trade we need, but we cannot, save by mutual agreement for the fixity of exchanges, remove the gambling element from international trade, stimulate international confidence in modern currency systems, make the problem of deflation comparatively easy and reestablish the regime of a saner and more dependable monetary medium."

CONFERENCE OF BANKERS WILL HELP SITUATION

Nat'l City Bank of Chicago Endorses Joint Consideration of European Action

"Secretary Glass was right in saying that the requirements of Europe for credit should be met by the sale of capital issues rather than by the manufacturing of bank credit. This situation should be carefully canvassed by the delegates to the coming international financial conference which will meet in a few weeks to discuss the whole international credit situation. This effort to secure united support in the most complicated loan operation that was ever attempted by the bankers of any country, or of all countries, is highly encouraging. The conference will bring together the best known financial experts in the world and the indications are that it will be successful in evolving a plan to grant relief where it is most needed and to put industrial Europe on its feet. Quick action must be taken in this direction as the need is great and the confusion in Europe such as to give rise to the development of greater unsettlement among the people of belligerent and neutral countries, who must be given something to do forthwith."

FURTHER PRICE RECESSIONS UNTIL U. S. BUYS ABROAD

Prest. Traylor, of First Trust & Savings Bank, Chicago, Expects Drop in Wages

"The reduction in prices will continue until the United States begins buying heavily abroad. This would send the rate of exchange up again. In the meantime an enormous surplus will accumulate in this country, due to the curtailing of exports. While this may mean unemployment for many persons, it will mean a sharp reduction in the cost of living. Wages, of course, will come down with the prices. The question of how soon the consumer will feel the reduction in prices will depend largely upon how soon we cease exporting goods. Indications are that the householder will notice a change in prices very soon."

COMMODITY PRICES UNLIKELY TO HAVE SERIOUS DECLINE

J. H. Trgeoe, of Natl. Assn. of Credit Men, Does Not Fear Credit Collapse

"No serious decline in prices can be anticipated in the immediate future. On the contrary, the prices of some commodities are likely to advance further. But the whole burden of our efforts should be to encourage the production of essentials and prevent them from reaching that peak from which they must inevitably sharply fall.

"Promptness and quick liquidation of obligations with careful buying and selling, will help us make a successful passage through our present serious situation.

"Earnest concentration on a wise adjustment of the railroad situation and the return of the railroads to private ownership, with the proper guarantees, is also a part of the task that must be performed in bringing us to credit safety.

"An adjustment of Federal taxes so that business may not be burdened and the cost of government may be distributed equitably among the people is also another important matter to deal with.

"With these advices and admonitions now being given out on every side observed, all of them summed up meaning proper thinking and proper living, we declare that there is no reason why our prosperity should abate or our credit structure collapse, or that we should not continue for several years to maintain a large domestic commerce on a basis profitable for the judicious merchant."

SITUATION CALLS FOR RIGID NATIONAL ECONOMY

N. Y. State Chamber of Commerce Deplores Further Governmental Waste

"It is the judgment of the Chamber of Commerce of the State of New York, that the Congress should undertake forthwith an investigation of the several departments of the Government with the particular object of bringing about the discharge from the employ of the Government of all employees not required for the conduct of the regular and normal business and affairs of the Government, and of returning such superfluous employees at once to the productive occupations in which they are needed, thus stopping further material and financial wastage from this source and strengthening the national economy at the present critical time."

CORDIAL INDUSTRIAL RELATIONS NECESSARY TO PROSPERITY

J. Philip Bird Urges Co-operation Between All Classes

"The one thing that every right-thinking American can do at this time to insure our prosperity after the war is to lend every effort to bringing about a closer alliance between men and employers. We must eliminate the bickerings and bitterness which has been engendered through many years of ceaseless destructive agitation in our industrial ranks. The people must adopt a more wholesome and constructive attitude towards our captains of industry. Employers must, as good business men, maintain a friendly and co-operative spirit with and toward the workers in their plants. Wage earners must be taught the great industrial truism that their employers are their best friends and partners.

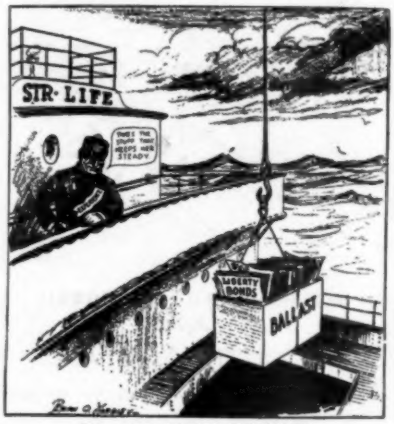
"Industry will be called upon to play a vital part in the work of reconstruction, and it must have the full confidence of the public if it is to succeed. We can no longer afford to let jealousy and avarice and class antagonism blind our eyes to the truth that American industry cannot take its rightful place in world competition unless all three of its partners—employers, employees and the consuming public—work together to a common end."

LIBERTY BONDS WILL RECOVER TO PAR OR BETTER

Comptroller of the Currency Williams Emphasizes Intrinsic Values Behind Government Bonds

In a recent formal statement, John Skelton Williams, Comptroller of the Currency, said that U. S. Liberty Bonds are not only sure to recover in price to their par value, but are likely to command a considerable premium.

"There is," Mr. Williams said, "no cause for anxiety because of the recent decline in the market value of these securities, and fall in price is no reflection upon their intrinsic value and desirability. The people of this country need have no doubt of the ability of the nation now and always to meet all its obligations.



TO RIDE THE STORMS

"The income of the people of the United States probably amounts at this time to more than $10,000,000,000 per annum, and less than one-tenth of this surplus would be sufficient to absorb in a year all investments still held by national banks in liberty bonds."

SHIP MORTGAGES MUST HAVE HIGHER STATUS

Ira M. Campbell, Former Admiralty Counsel, Says Present Mortgages Are Unattractive

"The transfer of the Government ships to private ownership is so large a proposition, that it cannot be accomplished without drawing on the entire investing population of the United States. This transfer cannot be made entirely through commercial banks.

"Farmers, laborers and small merchants will not put their savings into ship mortgages until you give those mortgages a higher status than they have today. The public does not invest in the bonds of the big, unsuccessful shipping companies which have a high credit of their own. All the Government ships cannot be sold to the big companies. The small companies, just entering the business, will have to finance themselves and this bill will give their bonds value.

"I think it would be well for the committee to call before it officials of banks who deal in investment securities. They are really the merchants of this class of securities and I am sure they will tell you that the present ship mortgage loan is inadequate and that they are unable to dispose of securities save on the strength of the standing of the companies involved. It is the standing of the company that counts and not the nature of the bond itself."

ARCHAIC SHIPPING LAWS DEMAND REORGANIZATION

Charles W. Morse Would Alter Them to Fit Present Conditions

"The financial world does not know anything about shipping. In England, where they are accustomed to that business, the banks take long time loans on ships; bankers here do not. I would suggest Government application to shipping of methods similar to those by which the Government operates its farm loan banks for loaning money to farmers. It should create a fund from which to loan on ship mortgages and then sell the mortgages, payment being deferred a long enough period to enable the earnings to pay it off.

"Then, holding these mortgages as security, debenture bonds could be issued against them and sold to investors everywhere as the farm loan debenture bonds are sold. All this would require some reorganization of our shipping laws so that a ship would not be subject to attachment anywhere for any sort of claim. Our present laws on these subjects are archaic; they were made before there were cables or easy communication and when a ship, once started on a voyage, was never heard from again till she came home.

"We should have arrangements for all ships to be followed and reported by Consular agents wherever they go. The Shipping Board is one of the most important departments of the Government and should be recognized as such to the extent of making its director a member of the Cabinet. If that is impossible the board at least should be entirely independent and clothed with fullest powers."

CONGRESS MUST PURSUE POLICY OF RIGID ECONOMY

Representative Mondell Stresses Danger of European Situation

"I feel it is my duty to emphasize again the absolute necessity of a sharp reduction in government expenditures.

"The shadow of the deplorable financial conditions of Europe is thrown across our country with ever-increasing and ominous portent of danger. The constantly decreasing values of European currencies warn us to trim sails, to economize, to save. It is essential that the Federal government set a good example in this regard.

"There are certain constructive meas-

ures which this Congress should and will pass, but equally important as these is the practice of the most rigid economy. Every proposal of expenditure in increasing amounts, or for new purposes, must be subjected to the acid test of necessity."

AUTOCRATIC WAR-LAWS SHOULD BE REPEALED

Senator Harding Assails Restrictive Commissions Formed in Emergency

"Under a well meant design to consecrate all our energies to the supreme task of winning the war, we inaugurated governmental control or Government regulation or restrictions, Government price fixing and established commissions everywhere. We uttered fine phrases about democracy and drove headlong to hindering bureaucracy.

"We must repeal the laws of assumed autocracy, even though the assumption was patriotically inspired. If we commissioned and controlled and regulated and restricted for the winning of the war, let it be understood that the war is over. The formal peace might have been proclaimed a year ago, if peace had been the paramount purpose of our mission to Paris.

"We counsel with labor, and we ought, because no people is fortunate whose working armies are not employed and righteously compensated. We counsel with the American farmer and we ought, because agricultural good fortune is of prime importance to the welfare of every nation. We confer with educators and encounter agitators and dwell with politicians, because popular government makes it so. But it is well to recall, in appraising them all, that success in individual pursuits is no bar to participating in the promotion of the great economic weal."

POLAND'S STRONG POSITION NOT FULLY UNDERSTOOD

Vincent Strelecki, Textile Manufacturer, Points Out Country's Trade Advantages

"Poland will be the natural gateway through which trade between the Allies and Russia must pass. Her importance will be emphasized both because of her geographical position and the familiarity of her technical men and merchants with Russian affairs. The imminent peace between Poland and Russia, while it may hold dangers for the future against which Poland must prepare herself, promises immediate and huge benefits.

"American manufacturers appear to be poorly informed regarding the resources and industrial and agricultural potentialities of Poland.

"I have heard a great deal while I have been in this county regarding Poland's poverty. It is true that she is poor in liquid assets today, but I do not believe it is realized that the total sum of all the currencies now in issue in Poland does not exceed $4,000,000 in American gold at the present rate of exchange. She has no overwhelming war debt and no tremendous expenditures to make for governmental purposes.

"Against her liabilities she places a country as large as France, containing 35,000,000 people, and resources in coal, oil, metals and agricultural products not exceeded anywhere in the world on the basis of area and population."

RAILS WILL NEED PROTECTION AFTER RETURN TO OWNERS

President Stephen C. Mason, of Natl. Assn. of Mfrs., Says Congress Must Insure Upkeep

"Normal business prosperity and employment of labor will be threatened after March 1 when the railroads of the United States are restored to private ownership unless Congress takes prompt action to provide by legislation for the adequate and continuous upkeep and betterment of the railway properties.

RETURNING THE BORROWED RAILROADS

—Darling in the N. Y. Tribune.

"To avoid, after the return to corporate management, a protracted interval of hand-to-mouth operation, Congress must (1) extend the standard of return until revenue has been adjusted to credit; (2) create a revolving fund for Government loans sufficient for the roads to meet their obligations to the public in case the investment conditions continue unfavorable; (3) authorize the refunding of carriers' capital debts to the Government on equitable terms."

RAIL OWNERS SHOULD COOPERATE WITH CONGRESS

S. Davies Warfield Hopes Private Opposition Will Be Withdrawn

"It is to be hoped that the opposition of those elements which have been active throughout the consideration of this legislation will not be continued. The situation upon the return of the railroads under existing conditions will be difficult enough.

"Unless there is co-operation on the part of the managers of the railroads along lines more consistent with the spirit of the proposed legislation than has been observed in certain quarters in the past, the responsibility for unsatisfactory results must be shared by the railroads and their owners and will not rest exclusively upon the Congress and the commission, which have been charged—and at times unjustly—with responsibility for results unsatisfactory both to the public and to the investor."

PEOPLE OF THE WORLD MUST GO TO WORK

Senator Smoot (Utah) Attributes Exchange Situation to Idleness and Extravagance

"The people of the whole world must go to work. The currents cannot forever flow in one direction. It is time to stop spending, and save. The international exchange and trade situation shows this. The gold has flowed to us and we are inflated, both with gold and paper. France has over seven billion dollars of uncovered paper. Is it hard to explain why the franc is cheap?

"The sudden widespread agitation about the suspension of foreign trade owing to the depression of European exchange is merely the realization of what some people have known must happen. The inevitable is upon us; that is all.

"It is trite but it is everlastingly true that the only thing to save the world is for people to quit spending and go to working, producing and saving. Nothing else will correct the exchange situation. If Europe does not produce what it uses and something to exchange for what it must buy outside Europe, it must pay in gold; and it hasn't the gold. It must go to working and saving; and it shows no disposition to do so. Neither does this country for that matter."

WORLD HAS BEEN SEEKING SUBSTITUTE FOR WORK

Irving T. Bush Thinks Hard Times Will Do Us Good

"America itself is going to suffer in the long run from the situation which is temporarily adverse to England. The United States is becoming reconciled to the necessity of dropping out of the export market, with the exception of trading in copper and some few raw materials, which she alone can furnish the world. The result inevitably will be a gradual slowing up in American industries and the country's own shelves will begin to be replenished.

"I do not anticipate a panic, but American business men have been in a drunken delirium for the last couple of years, and a moderate dose of hard times will bring us to earth and do us good.

"When surplus labor results from this slowing down of industry then labor and capital will be on the way to the restoration of normal relations and the whole economic system of the country will be on a healthier basis. The big trouble has been that the world has been trying to find a substitute for work."

Canadian Bonds for American Investors

"Uncle Sam" As Canada's Banker—Strong Security Behind Canadian Bonds—Fluctuations in Yields—Exchange Profits and American Investors

By J. H. SCHMUCKLER

THE war has subjected the Canadian bond market to a number of important changes. Chief among these in interest to American investors is the assumption of the role of Canada's leading banker by the United States.

As it will be seen from the graph herewith, the borrowings of Canada prior to the war have been chiefly in London. In each year of the period 1906-1914, inclusive, the amount of Canadian bonds sold in the United Kingdom formed at least 50% of the total. But in 1915 things changed. Great Britain was called upon to help finance her Allies, and could not satisfy so large a part of Canada's needs. The United States in 1915 took 42% of the total of new bond sales; in 1916, 70%; in 1917, 25%; in 1918, 4%, and in 1919, 45%. The declines since 1916 are to be explained by the great increases in the amount of bonds sold in Canada, and partly to the war restrictions on new flotations in this market.

TABLE I—Interest Yields on Canadian Obligations, 1919

Province of Ontario	5.10%
Western Provincial Bonds	5.20%
Ontario Cities and Towns	5.05 to 5.10
Large Ontario Towns	5.37 to 5.50
Large Cities in the West	5.62 to 5.75
Large Towns in the West	6.00%
School Districts in the West	6.12 to 6.25

Just at present it is a question as to where Canada will borrow. According to a leading financial authority, she can not borrow to advantage in London. On the contrary, securities are being sold back to her, the exchange situation offering the inducement of profit. The large sums already raised by domestic loans will render new flotations in Canada difficult. This country, therefore, appears to be the only immediate source from which our neighbor can satisfy her capital requirements, but Canadians are apparently not yet accustomed to the high interest rates prevailing in this market and the heavy premium on New York funds in Canada is working greatly to their disadvantage. Still, Canada must import capital, for in her stage of development there is not usually enough capital stored up to support the rapid expansion.

Is Canada Good Security?

Let us analyze what Canadian bonds offer by the way of security, rates of yields and possible profits. A short description of Canada's economic position, resources and prospects should prove enlightening in judging the security behind her obligations.

Canada is a young and highly promising country. Her principal wealth lies in great resources of raw materials and foodstuffs, particularly products of agriculture. The tendency in agriculture is toward diversification. British Columbia, Newfoundland and Nova Scotia spell the last word in fish. Alberta's dairy products are well nigh up to Denmark's grade. Cattle of all kinds are plentiful. The timber and wood pulp resources of the country are proverbially wealthy. The output of metals is varied and considerable in the aggregate, Canada having virtually a world-wide monopoly on the raw material from which nickel is derived.

Industrially, Canada, like most young countries, is not very highly developed, excepting in a few sections, but its total manufactures are considerable and expansion is progressing rapidly. Pulp and paper, iron and steel, railway materials and automobiles are the principal industries. The prospects in the future are bright, provided Canada can secure capital from other countries to finance the further expansion of her industries.

The transportation facilities are generally good, and in late years the good roads movement has been making good progress. While the government lines are not self-supporting, many improvements are contemplated, which it is hoped will result in happier returns. The water-power resources are phenomenal. The banking system has made remarkable strides during the war, and fundamentally is founded on sound scientific principles.

Canada's foreign trade has gained by leaps and bounds over pre-war levels, and considering that so large a portion of the exports consist of raw materials and foodstuffs, the indications are that any decline which may come to pass will be gradual. The merchandise balance has been favorable since 1916, a rather unusual phenomenon prior to that time. Imports from the United States have been running much ahead of exports, however. Canada is laying extensive plans to develop markets in almost every part of the globe, and the vision of a rapidly increased foreign commerce has caused her to provide a national mercantile marine.

As regards the growth in national debt, Canada is better off than most of the nations engaged in the war, and she has her resources intact with which to pay off her debt. Immigration into the country is large, and there is enough work to do to occupy labor. The population is orderly and patriotic. The fiscal methods of public bodies are conservative, and the national income can easily take care of all charges in connection with the public debt.

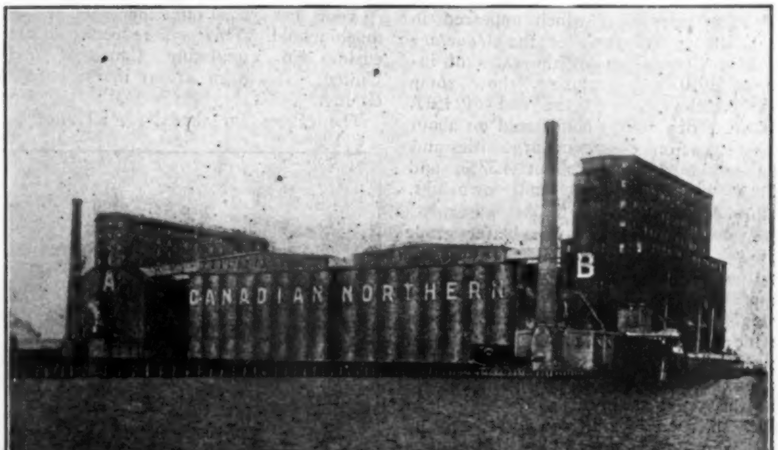


Photo by Underwood & Underwood.

AN INDEX OF CANADA'S PROSPERITY

The world's largest grain elevator at Port Arthur, Ontario, with a capacity of 12,000,000 bushels

In short, Canada is a rich and very promising country, whose resources and prospects give solid security to her obligations, and whose revenues and assets enable caring for the public debt without difficulty.

Yields on Canadian Bonds

The rates of interest which Canadian borrowers have to pay for capital have not proven exceptions to the world-wide advance in the cost of capital caused by the war. Table I presents the approximate prevailing rates of return netted by various types of Canadian securities of different sections of the country during 1919.

These yields are taken from a highly authoritative compilation of the prices of Canadian securities, which appeared in the January 9th issue of the *Monetary Times*. Comparison of the rates of in- years, 1910-1913, inclusive, show some marked changes. At the end of 1911, Province of Ontario bonds sold on about a 4% basis; obligations of large cities and counties in Ontario, about 4.37%, and those of large towns and townships, 4.75%.

In the late nineties, the better grade provincials yielded only about 3.10%, and better grade municipal credit was on an approximately 4% basis. Nearly the same range of yields prevailed until 1907, a panic year. From then until about the outbreak of the European war in 1914, rates on various types of issues advanced, but they were on the whole quite substantially below prevailing yields, excepting for some Western obligations, upon which the interest rates moved downward as their safety received better demonstration. Dominion credit, now on about a 5% basis, prior to the war was not much above 3%.

Table II—Current Canadian Bond Offerings.

Issue.	Maturity.		Price About.	Ap'ximate Yield to Maturity.*
External Loans—				
Dominion of Canada 5s	April,	1931	91.38	6.15%
Province of Ontario 5½s	April,	1922	98.30	6.30%
Province of Ontario 3½s	Jan.,	1930	93.50	6.40%
Province of British Columbia 5s	Jan.,	1925	92.67	6.75%
Province of Manitoba 6s	Jan.,	1925	97.89	6.50%
Province of Saskatchewan 6s	October,	1925	90.06	6.75%
Province of New Brunswick 5½s	Dec.,	1929	94.48	6.25%
Government of Newfoundland 6½s	Jan.,	1928	98.38	6.75%
City of Ottawa 5s	July,	1926-'31	89.86@93.41	6.25%
City of Toronto Guar., 4½s	Sept.,	1953	77.17	6.10%
City of Toronto 5s	June,	1920-'21	97.74@99.36	6.75%
City of Toronto 5s	June,	1922-'24	94.36@96.74	6.50%
Internal War and Victory Loans—				
Dominion of Canada 5½s	Dec.,	1922	87.25(a)	10.50%
Dominion of Canada 5½s	Dov.,	1923	87.25(a)	9.90%
Dominion of Canada 5½s	Nov.,	1924	87.00(a)	7.50%
Dominion of Canada 5½s	Nov.,	1933	89.25(a)	6.75%
Dominion of Canada 5½s	Nov.,	1934	89.25(a)	6.90%
Dominion of Canada 5½s	Dec.,	1937	91.25(a)	6.30%
Dominion of Canada 5s	March,	1937	86.52(a)	6.25%

*To American investors, assuming that Canadian exchange returns to par.
(a) New York prices, based on 15% premium for New York funds in Canada.

Profits from Canadian Exchange

The reader will appreciate, of course, that the figures used in the above discussion of yields are by their very nature approximate. They serve admirably, however, to depict the conditions and changes in Canadian credit.

But if the figures given in Table I appeal to the American investor, Canadian bonds will enhance in his estimation, when it is remembered that New York funds are now at a premium of about 15% in Canada, which is another way of saying that Canadian exchange on the United States is at a discount of approximately 15%. Before the war New York funds in Canada were at a slight discount in Montreal during part of the year, and at all times the fluctuations in exchange between New York and Canada was through a narrow range, as it costs but 70 cents per $1,000 on either side of par to ship gold. This was reflected in the custom of circulating Canadian and United States coins at par in the border cities.

The causes for the sharp advance in the premium since the early months of 1918 are not far to seek. As stated above, prior to 1916, imports of merchandise had exceeded exports. Beginning with that year, however, as a result of war conditions, the current turned, but large expansion in shipments to Great Britain was the chief cause for the favorable merchandise balance. On the other hand, imports from the United States in late years have been advancing much more rapidly than exports.

The balance of trade between the United States and Canada has been favorable to the former for years, and the reverse has been the case between Canada and Great Britain. The way in which Canada normally settled her indebtedness to us was by Canadian exporters drawing sterling bills against British importers and selling them in New York. This created a large amount of Canadian-owned sterling sold in New York with a consequent accumulation here of Canadian funds. The whole transaction depended, then, upon British importers paying their indebtedness to Canada, but it is clear that to throw additional sterling bills upon the market under present conditions would prove a heavy burden. British firms are, therefore, according to reports, deferring payment—hence the abnormal premium on New York funds in Canada.

The manner in which this premium has been brought about is to be regretted, as are also the hardship which it imposes on Canadians and any dire effects it may have on trade and other relations between the United States and Canada. But the premium is here, and it offers Americans an opportunity to benefit themselves and Canadian-American relations. The details of how this works out are about the same as in the cases of the European exchanges. *The purchase with New York funds of internal Canadian obligations offers possibilities for profits as the premium moves closer to normal, for under present conditions the Ameri-*

Photo by Underwood & Underwood.

WEALTH OF THE VIRGIN FORESTS

Lumber is one of the principal resources of the Dominion of Canada and the source of her greatest wealth

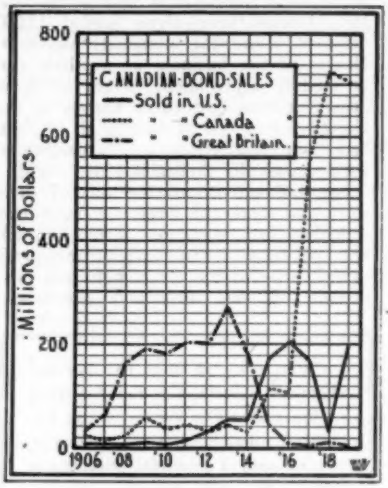
can is really buying Canadian dollars at 85 cents each.

An illustration will help to clear up the whole matter. The Dominion 5s, due 1937, are selling around 99½ in Canada to yield a little more than 5% to maturity. An American investor, with New York funds in Canada at a premium of 15%, can buy a $1,000 par value bond for about $850. Since the interest and principal are payable in Canadian funds, the interest yield would be the same as for the Canadian investor, but as exchange approaches to par the yield increases, and he has profits in the increase in principal value. In the case of external obligations whose principal and interest are payable in New York funds there is no prospect for profits through exchange appreciation, but the prevailing condition of exchange summarizes a set of circumstances which has caused an increase in the yields returned by external obligations. *As exchange moves closer to normal, it is to be expected that the rates of interest on bonds will decline, or prices advance.*

Some persons may ask, why look for profits in Canadian bonds when the maximum gain from exchange appreciation can be but a little above 15%, while internal bonds of the Allied countries offer so much larger possibilities? There are, however, a number of compensating circumstances which offset the smaller possibilities for profits, chief among which is that the time within which Canadian exchange will return to normal should be much shorter than in the case of the Allied exchanges.

Some Interesting Issues

Table II herewith presents a number of



internal and external issues being offered currently (February 9) in New York by leading Canadian bond dealers of this country and Canada. The yields on the internal issues are computed on the assumption that New York funds in Canada par. The range of yields based upon Canadian prices is from about 5.03 to 5.50%.

An outstanding feature of the yields returned by the various issues is that they generally decrease as their terms to maturity increase. The reason for this is that investors realize that present conditions in the Canadian bond market are temporary, and are almost certain to return nearer normal before very long. In any such readjustment in the yields of bonds those of longer term would be benefited to a greater degree than those of shorter term. Hence, the better prices (lower yields) for long-term issues by way of discounting future possibilities. The prices of internal Government war bonds have been stabilized by fixing minimum prices.

There is little to add regarding these bonds individually. They are all well secured, have good prospects, but the longer maturities are much more desirable, excepting, of course, where short-term issues are needed for special requirements. The City of Toronto 4½s, due 1953, are an obligation of the Toronto Harbor Commissioners, and are guaranteed as to interest and principal without any conditions by the City of Toronto. They have all the security of bonds issued by the city, and in addition to the pledge of the property of the Harbor Commissioners, the revenues therefrom.

Chemical Foundation Marks Real Genesis of American Dye Industry

The Fight Against Germanic Domination of Dyes and Chemicals—What Has Been Accomplished by the Alien Property Custodian—Its Bearing on American Companies

By **B. L. GOODRICH**

THE Chemical Foundation is a very unique enterprise inasmuch as back of its charter is the idea that business can very well be blended with patriotism, and that it is quite possible to hold valuable trade secrets in a sort of trustee company that will use, not abuse, its knowledge. This is where the Chemical Foundation displaces that Teutonic Moloch—the dye and chemical industry—from its high estate, cuts off its head, embalms the body, but holds the nerves for the regeneration in America of what may be one of the world's most powerful industries of the future.

The Foundation, as we will call it, is un-American in its lack of speculative trimmings, since the holders of its preferred or common stock divest themselves, *ab initio* of all inside information, melon-cutting chances, or big dividends.

The capitalization is $500,000, of which $400,000 is preferred stock and $100,000 in common stock. Both classes will receive 6 per cent per annum, when earned, and no more. While the preferred takes precedence over the common as to principal and income, it has no voting power. None of the stock can be transferred without the consent of the board of directors, and the common is to be deposited in a voting trust, to continue until January, 1936.

Evidently, the shares are shorn of all speculative features: they are hedged in with restrictive conditions, and to get at the bottom of the caution so apparent we have to go back a little.

The Dye Industry Before the War

The dye industry, filled as it is with complexity and difficulty, although born in England and slightly developed in France, was made the subject of elaborate study by German chemists and scientists, who foresaw the immensity of the field from a business and economic standpoint many years ago.

It has been commonly supposed that German chemists are abler than any other; while this is true in a measure, their ability is largely made up of a stick-to-itiveness that is characteristic of the Teutonic temperament. Few peoples are gifted with the virtue of patience and obedience to their job to the same extent, or have been willing to do the work for so small a reward. It has not been surprising to find that an industry that is seventy-five per cent science was, at the outbreak of the war, about ninety-eight per cent controlled by those who were willing to go through the grind necessary to secure control—the Germans.

A. Mitchell Palmer, now U. S. Attorney General and formerly Alien Property Custodian, has been criticized extensively in connection with his confiscation of alien-owned stocks and industries, and I suppose he has as many enemies as he has friends. Few successful men go through life without making enemies because they have to give some hard blows, or get hit. Whether the controversy that raged around his extremely delicate official custodianship of millions of dollars worth of alien property had a political origin or not, I cannot pretend to guess. Those who form opinions too quickly might, however, go through the brochure issued by Mr. Palmer and his successor, Francis P. Garvan.

They will discover that the task of St. George was simple arithmetic, and his dragon a tame rabbit, compared with the Alien Property Custodian's job of uprooting the hydra-headed chemical giant of German growth that had taken root

in our soil, and had spread its tentacles to every nook and cranny that defied every effort to shake it.

It should be remembered that the dye industry and explosives are first cousins—in fact, twin brothers. Dyes cannot be made without producing by-products that can be turned into picric acid and Trinitrotoluol almost at a moment's notice. The dye manufacturer, in the pursuit of his peaceful occupation of making colors, can, figuratively, turn his coat round, and hang up a sign, "maker of deadly explosives."

You have the secret why it was expedient around 1904 for the German Government to take a fatherly interest in its dye (explosive) business, and do all in its power to help its own, to protect them, and hinder others. The business of making dyes is a profitable one, once you know how to make them. But in experimenting and finding out how to start it is much easier to "go broke" than find your footing. This condition prevailed in this country over and over again prior to the war, with the additional handicap of Germany being past the experimental stage, and able to market the finished goods produced by seasoned firms, in large quantity, cheap labor, and at ruinous prices up or down the scale.

Dumping of products is one of the fine arts that seems to have originated in the dye industry, judging by what happened to the Benzol Products Company and the American Acid & Alkali Company, American concerns who were sufficiently timorous to try out the dye industry in America. The method adopted was delightfully simple in its application and results. It consisted in flooding the American market with more than it could absorb at a price ridiculously below that at which it could be produced here; then when the competitor was forced to shut up and stay shut—up, up, and up went the price again.

Obviously American experiments with dyes were a failure, and in 1914 found a mere handful of powerful German firms in complete control of the dye-chemical-explosive situation, and the hundreds of side-lines that go with the business of coal-tar products and derivatives. The largest of all was the Badische Anilin und Soda Fabrik of Ludwigshaven on the Rhine, the great Bayer & Co. concern of Leverkusen, the Aniline Manufacturing Company of Berlin, the old established "Hoechst" of Mayence, Leopold Cassella of Frankfort, and Kalle & Co. of Biebrich. Closely related to these giants, protected and dominated like younger brothers, trailed the Griesham Works of Frankfort and the Weiler-ter-Meer of Uerdingen.

All of these carried on business almost in juxtaposition, along the banks of the Rhine or at headquarters in Berlin. The size of the combination can well be compared with the Steel Corporation or the new General Motors combine. Any one is a huge industrial enterprise employing anywhere from 5,000 to 10,000 workmen. The "Hoechst" employed over 300 chemists and used 30,000 horsepower, while the Badische works covers 500 acres that stretch a mile and a half along the banks of the Rhine. Buildings in this case cover 100 acres with over 40 miles of railway within its own grounds, 368 steam engines and 472 motors.

All the others, although somewhat smaller, were on a scale quite comparable with the others, or had affiliations equally important. When it is considered that the Hoechst firm alone landed 11,000 different colors, the immensity and complexity of the business as a whole can be slightly appreciated. Eight of these great concerns had agent houses in the United States, and practically all of them had their connections and underground wires practically throughout the world.

For the better carrying out of their work and aims, the largest of these had combined into immense "cartels," which not only had the support of the great banks, but also the direct help and protection of the Imperial Government.

Germany's grip upon the dye and chemical industries is today a thing of the past. The events of the war showed that American chemists needed only a powerful stimulus to equal the achievements of the Teuton scientists. The change has great significance for investors in American dye and chemical companies.

Profits were pooled and capital stock so interchanged that each was interested in the other, and depression in one business was made up by prosperity in others.

From the dividend disbursements that averaged from 8 per cent to as high as 24 per cent annually, with several melons in the way of capital increases and bonus stock and rights, it would be impossible to say just how much wealth the dye and chemical combinations of Germany really have. Hoechst, Badische and Bayer raised their capitalization at the time of the big combination by 36,000,000 marks each, bringing up the total of each to 90,000,000 marks, and this increases only faintly represented the actual profits thus shown to stockholders. Of course, the marks had some value then!

How much money stockholders have made out of the dye investments may be judged from the fact that in the case of the Badische Company, stockholders were entitled to subscribe for new stock at 107 against a market quotation of 490. As Mr. Palmer says, this was "a melon of some magnitude."

German Monopoly Broken

When the Alien Property Custodian commenced his activities, Germany was supplying the world's needs to the extent of ninety per cent, and at least had a finger in the pie so far as the remaining ten per cent was concerned.

As stated, the dye business is a complex one, and more remarkable still is the system of entanglements and affiliations that were thrown around it in every country outside of Germany in order to keep it complex—and to keep it "at home." It was this complexity of "outside interests" that invited the attention of Custodian Palmer and his aides.

The evolutions and convolutions of German statecraft, subtlety, diplomacy, and subterfuge to protect itself and its industry are no part of our examination. The Alien Property Custodians have issued a book on the subject, and they have only scratched the surface. It was their job to uproot it, and the Chemical Foundation, Incorporated—whose shares have been offered to the chemical industry—is like some proof that the dye industry has been started in America.

Every vestige of the local branches of the powerful "cartel" of German dye manufacturers has been traced and uprooted. Not that this *per se* represents a crippling of the German-owned end of the business—since its interests in America have been picayune, compared with the colossal industries that still live and flourish in Germany.

Where it has been possible to trace and seize any local branch of the big "cartel," any shares held here, any agency, affiliation or connection—this has been done. Thousands of patents held by the Bayer Company and others, registered in our patent offices but never used (and possibly never intended to be used) have been taken over and turned in to the new Chemical Foundation, Incorporated, to be used for the benefit of American industry, and the development of the science and manufacture of dyestuffs.

Frances P. Garvan, who succeeded A. Mitchell Palmer as Alien Property Custodian, has stated the case of the American chemical industry in his appeal for support as follows:

1—Fairness to the $450,000,000 invested in the chemical business by loyal Americans in the hour of our need.

2—Independence and freedom of the textile, leather, paper, paint and varnish, pharmaceutical, three-billion dollar essential American business.

3—The necessity of our national defence.

4—The destruction and prevention of the German system of propaganda and espionage in our land.

5—The advancement of pure science and research.

6—The advancement of medical science.

Mr. Garvan points out that German chemists in their dye factories discovered a cure for sleeping sickness that made a

(*Continued on page* 551)

Where There Is a Will

Without exception, every man should make a will. If he dies without a will the law steps in with all its costly features and regardless of the actual needs of the heirs, settles according to law and not according to reason how the estate should be divided. There are set rules for the division of an estate when the owner dies without a will. In addition to this it is the usual custom for the courts to appoint the administrator who is nearest of kin, without much regard for his or her ability to administer. In this way much money, both from income and principal, is lost. By all means do not neglect to make a will, if it is your desire to give those dependent upon you the full benefit of what you wish them to have.

Railroad Income in 1920

Past Statistics of Earnings Now of Little Value—Diversion of Freight an Important Influence —What Would Be Earned Under Eight Months of Government Guarantee

(This is No. 1 of an important series of articles on the railroad situation and the prospects for various roads, which will be continued in following issues.—Editor.)

MORE than 2,000,000 Americans hold securities representing at the close of last year an investment of approximately $19,500,000,000 in the railroads under Federal operation. The opinion of the majority of this number is responsible for the market prices of these securities, and it is the purpose of this article to consider whether the opinion is sound in all instances. In short, has the market discounted railway operating results? Has the market even kept abreast of these results?

The habit of studying the history of a corporation for ten years or more has become so general among investors that it may be responsible in part for the want of alignment between present operating results and current quotations for securities, but the railway changes in the past twenty-five months have been of a nature so revolutionary that the study of a rail property's performances in a past decade sheds on its present outlook not much more light than would be cast by the history of a stage line in a past century.

The railroads under Federal control last year reported about $516,000,000 net railway operating income, equal to about 2.65% on their aggregate property accounts as they stood at the end of the year. But the distribution of this income was very unequal. The New England roads earned little more than 1% on their property investments, while the Pacific roads south of Washington earned nearly 5%. In individual instances the distribution was even more than unequal.

Astonishing Contrasts

A single striking contrast will suffice. Delaware & Hudson was placed on a dividend basis in 1826, and has paid dividends, except for 12 years, at varying rates, ever since, or a period of 94 years. The stock was placed on a 7% basis in 1891 and on a 9% basis in 1907. This is certainly a glorious history. The present price of the stock reflects a possible reduction in the dividend rate to about 7%, or 2% less than the rate paid. Had the company been operated for its own account in 1919, with other income and deductions as reported for 1918, it would have earned less than 90% of its fixed charges.

Western Pacific's history is a story of unbroken disaster. The road was hardly finished when the company defaulted on its first mortgage bonds, and was thrust into receivership. It had not even begun to enjoy the benefits of a drastic reorganization when the Government took over the property, which, in 1918 and the first seven months of 1919, was operated as a second track of a competitor. Had this road been operated for company account in the five months of independent management, it would have earned, with other income and deductions as reported for 1918, about $8 a share on the common stock, or about 35% on the market price of the stock.

While it would be difficult to duplicate this contrast, many similar examples, contrasting in lesser measure, could be enumerated.

The expectation that the roads will receive an increase in freight rates is quite general, and, indeed, it may be accepted as a certainty that some relief in this direction will be forthcoming if the country's transportation system is to continue. About 20% has been estimated as the requirement of the roads as a whole, and this can be distributed by groups to provide for the heavy requirements of New England and the comparatively modest requirements of the Pacific roads south of Washington.

A similar distribution cannot be made to take care of individual requirements, for such an attempt would lead to discrimination in rates between competitive roads and only hasten the wreck of the weaker properties. It is obvious, for instance, that a 20% increase in freight rates, without a recovery of lost business, would not succeed in continuing Delaware & Hudson stock on a 9% basis. It is equally obvious that Western Pacific, on its present operating showing, needs no increase.

Division of Freight

This raises the subject of the diversion of freight from former channels and the question of the time that must elapse before the return to former channels. That there has been such diversion, there is no question.

The question arises when one asserts that former channels were natural channels. If the old channels were unnatural, the diversion was not artificial. The opinions of leading railway traffic officials on this subject about balance one another. The traffic officer of a road that has profited by this diversion will assert that freight was formerly maintained in artificial channels by means of vigorous solicitation applied over a long period and was merely released from these channels as a war necessity. The traffic officer of a road that has suffered by this diversion will assert that former channels were natural channels and freight was diverted into artificial channels under the guise of a war necessity. Between these two opinions, it is fairly safe to assume that there will be a partial but not a complete restoration of traffic to its old channels.

On one phase of the subject traffic men are pretty well agreed, viz.: if freight is now moving in artificial routes, six months is ample time in which to effect a restoration to natural routes.

The roads as a whole have been making the utmost efforts in the last few weeks to build up their traffic departments. The country is being searched for the best men, and the highest salaries are being offered. No effort is being omitted by any road to obtain all that belongs to it, and the country will witness after March 1 a competition for business such as has rarely been seen in the past. What will be the result?

None can say. The result will first appear in the monthly operating statistics of the individual roads. In these statements the efforts, unprecedented among the roads of the country, will first begin to manifest themselves. The results of these efforts will mean the difference between solvency and bankruptcy to some of the roads; the difference between great gains and great losses to the security holders.

Never before have the monthly operating statistics of the railroads been weighted with such importance for more than 2,000,000 Americans.

As the railroad bill in conference now stands, Federal compensation will be continued for six months after the cessation of Government operation or until September 1. The roads must file their new rate schedules before May 1, and the rates will go into effect four months later, or on September 1. Thus, the year 1920 will be divided as follows: for the first two months the roads will be operated by the Government for Government account; during the next six months they will be operated by the companies for Government account, and during the last four months they will be operated by the companies for company account.

The operating statistics for January and February can be expected to show little more than is forecast by the same figures for the preceding two years, but in the next six months the results of traffic solicitation should manifest themselves. As operations from March 1 to September 1 will be continued under present tariffs, net results will give little line on the possibilities of individual properties under the higher rates, but fluctuations in gross should convey a fairly good idea of the measure of progress being made by the respective companies in regaining lost business or retaining existing business. For the last four months of the year, net operating results may be expected to provide an indication of what a property can achieve in a full year under corporate operation at the new tariffs.

When one reflects on the number of properties and the revolutionary changes in traffic movements that have taken place in the past two years, it is manifest that

these results will contain several surprises. That unusual opportunities will result, and those only, will be in a position to take quick advantage of the surprises. That unusual opportunities will exist for the salvage of losses or the realization of profits, there can be little question.

The Magazine of Wall Street has made arrangements to watch these developments closely and to report the results to its readers in coming issues, together with our conclusions therefrom. Such reports and studies of the position of the various roads will become increasingly important as the year progresses.

In the meantime, the outlook for the first eight months of 1920 seems comparatively clear.

The railroads, under the proclamation of President Wilson, will receive their compensation for the first two months of 1920. As the railroad bill now stands, the companies will also receive the benefit of their rental for six months following the return of the properties to corporate management, or until September 1. Thus, the income statements for the current year will be made up of eight months' rental and four months' operating results.

As the rental is divided on the basis of the calendar year, while operating results are based of necessity on the traffic year, there is some profit for the roads in this arrangement. For the first eight months they will receive 66.667% of a full year's rental, while only 62.163% of a full year's operating net was earned in this period during the test years. Likewise, the roads will lose 33.333% of a year's rental, but will have the benefit of their own operations for four months, during which, based on results of the test period, they should earn 37.837% of a full year's operating net.

The following table shows estimated earnings per share in dollars on some of the principal railroad stocks for the eight months ended August 31, 1920, based on standard return or contract rental, with other income and deductions as reported for 1918:

	Preferred.	Common.
At. Coast Line...	$15.22	$6.66
Atchison, System	....	7.44
Balt. & Ohio.....	12.46	3.80
C., C., C. & St. L.	31.58	6.00
Cen. R.R. of N. J.	....	10.10
Ches. & Ohio....	....	5.12
Chi. & N. W....	4.66	3.72
C., M. & St. P...	3.60	Nil
C., B. & Q.......	....	13.22
C., R. I. & Pac....	7.00—7% pfd. / 6.34—6% pfd.	1.72
Col. & So. Sys....	21.56 1st pfd. / 18.90 2nd pfd.	4.46
Del. & Hudson..	....	7.40
Del. Lack. & W.	....	10.13
Den. & R. Gr....	2.00	Nil
Erie.............	8.36 1st pfd. / 17.04 2nd pfd.	2.04
Great Northern..	5.36	†
Illinois Central..	....	6.68
Kan. City So....	4.32	1.28
Louis. & Nash....	....	10.12
Lehigh Valley...	....	3.66
M., St. P. & S. S. Marie‡.....	16.98	6.16
Mich. Central....	....	9.10
Mo. Pacific......	3.34	.58
N. Y., N. H. & H.	....	.86
N. Y. Central...	....	6.52
Norf. & Western.	45.48	8.16
Northern Pacific.	....	5.40
Pere Marquette..	10.64 prior pfd. / 6.58 pfd.	.88
Pennsylvania ...	....	2.94
Phil. & Reading.	....	13.36
Seaboard A. Line.	1.52 6% pfd. / 1 01 4% pfd.	Nil
Southern Ry.....	6.34	1.50
So. Pac. Sys....	....	7.52
St. L.-San. Fran.	1.10	Nil
St. L. S. W......	2.88	Nil
Texas & Pacific.	....	2.32
Un. Pac. Sys....	21.82	8.54
Wabash.........	1.22 pfd. A / Nil pfd. B	Nil
West. Maryland..	2.00 1st pfd. / Nil 2nd pfd.	Nil
West. Pacific....	*5.56	Nil
Wheel. & L. E....	2.82 7% pfd. / Nil 6% pfd.	Nil

*Compensation offered by Government, but declined by company.

†No common stock outstanding.

‡After 7% has been paid on both classes of stock, they share equally the remainder.

Boston & Maine Under New Conditions

What the Reorganization Means to the Various Securities—Unusual Features of Preferred Stocks—What Could the Road Earn on Its Estimated Valuation?

NEW ENGLAND roads have been notorious among railroad men of late for the exceptionally poor showing they have made under Federal control, and not the least sufferer has been the Boston & Maine. It is the only road reorganized while under Federal control, and the new stocks cannot be said to have been absorbed as yet, as the final plan of reorganization was agreed to only last December.

The trouble started in 1915, when a court decree was handed down divorcing the Boston & Maine from the New York, New Haven & Hartford by providing that the New Haven holdings of B. & M. stock, constituting a majority of the outstanding issue, were to be put in the hands of trustees and sold. In the same year the railroad began its attempt at a reorganization by trying to obtain legislation permitting it to consolidate with its leased lines and readjust its stocks and funded obligations.

The troubles with the Boston & Maine were a top-heavy bonded debt, a large proportion of income going into payments for rentals, leases and hire of equipment and in its latter years, declining earnings, a malady, of course, common to all the railroads of the country. The purpose of the reorganization, as it ultimately developed, was to turn as much as possible of its rental and lease obligations, which were obligatory as long as the leased lines were not part of the system, into dividends on the preferred stock of B. & M., which would be optional. This would be accomplished by consolidating the leased lines with the system, through the exchange of stock.

To return to the checkered history of Boston & Maine, the road was successful in obtaining satisfactory legislation from the States of Massachusetts, Maine and New Hampshire, but in 1916 it ran into a temporary receivership, the friendly nature of which will be understood from the statement that the president of the road, James H. Hustis, was made the temporary receiver. He remained in this position till the final reorganization in December, 1919.

In 1917 a reorganization plan was started, with three prominent New York and Boston institutions participating. The immediate problem was the payment by the road of $20,000,000 of short-time notes, while further away was the question of consolidation and the assumption of the sub-leases of the leased lines. By the time the Board of Reorganization Managers, including representatives of the principal leased lines, had gotten under way, the Federal Government took over the railroads at the end of 1917, and nothing was done in the way of financial readjustment till 1918, when Hon. George W. Anderson, then Interstate Commerce Commissioner representing New England interests, suggested a modification of the original plan, which was eventually adopted, after being held up by litigation with various parties. The bankers dropped out of this plan.

The Reorganization Plan

The principal features of the plan were:

(1) B. & M. was to be consolidated with its seven leased lines, the consolidated company undertaking all subleases and other obligations of the formerly leased lines.

(2) All matured obligations of the eight companies involved were to be paid in cash, interest and principal.

(3) Back interest on unmatured bonds and debentures of the consolidating companies was to be paid in cash, the bonded debts being otherwise untouched.

(4) A new issue of cumulative first preferred stock of Boston & Maine was to be created, in five series, paying different dividend rates, corresponding to the dividend rates on the old stocks of

(*Continued on page 552*)

Columbia Graphophone Comes Into Its Own

Early Struggles Now Rewarded by Great Prosperity — Efficient Management and Expanding Market for Talking Machines Assure Growth of Company

HAVING a good thing; sticking to it; backing it up for all you are worth; fighting for your patent rights; persisting in improving the article against discouragement and disappointment on all sides. That is the kind of battle the business world requires. There is no place for weaklings; faltering spells defeat. But if you have the courage and vision to fight such a battle you will win.

The history of American business is filled with accounts of just such struggles. At this very moment there are dozens and dozens of little business groups going through the ordeal. Mention the names of any hundred of our business corporations, and for every one that owes its success to Providence you will find 99 whose victory was the result of persistent endeavor.

In the list of American corporations and of American business men who have run the gauntlet and come through alive, perhaps no name is more closely linked up with bitter struggles and keen disappointments than that of the original Graphophone Company; and in the same list there is no other name more intimately associated with phenomenal success than that of the Columbia Graphophone Company of today.

It wasn't so very long ago that Columbia Graphophone was an unknown quantity to us outsiders. We heard it was scraping along fairly well, but it was our impression that there was another company in the same field which dominated the industry. Columbia, or, as it was then, American Graphophone, might come out all right, we figured; but the odds were against it.

Columbia Graphophone at the present time has unfilled orders on its books which, in the aggregate are easily in excess of $12,000,000. Its earnings for 1919 are expected to show considerably more than $4 a share available for the common stock. Expectations in quarters which we believe are entirely trustworthy are that earnings in 1920 will be double those for 1919. The company's big plants are perfectly equipped (and more plant capacity is to be added soon), and the demand for its products is increasing at a rate generally enjoyed only by the absolute necessities of life.

About Patents

The question "Who invented the talking machine?" is generally answered with "Edison, of course!" If, by the question is meant who *discovered* the principle of the talking machine, the Wizard undoubtedly deserves the laurels. But when we come down to fine points and begin to split hairs about the difference between inventions and discoveries, the answer is not so easy to find. Whatever our understanding may be, the fact is that in 1886 the United States Patent Office issued to Chichester Bell and Charles Sumner Tainter, United States Letters Patent No. 342,214, covering "a method of engraving records of sound" or "reproducing records of sound by engraving in a wax-like material"; and it is on that patent, issued more than 30 years ago, that the talking machine industry of today is founded.

Chichester Bell was a cousin of Alexander Graham Bell, the man whom the world recognized as the inventor of the telephone.

In addition to the above described patent, another patent was granted to Mr. Tainter alone for "a method of duplicating or copying sound records." The process provided for covering the surface of an original sound record with a fine coating of plumbago in order to get a conducting surface and then electroplating on this surface to produce the "matrix" or metallic copy of the record.

These two patents were issued in 1886. They were acquired by the Graphophone company and were developed and exploited by it. In other words, the present Columbia Graphophone Company owns the fundamental patents for the talking machine.

In addition to these basic patents, the Columbia Graphophone Company has numerous other patents covering other important features in talking machine construction. Two of the most important cover the "spring motor graphophone," based on discoveries of Thomas Hood Macdonald (for sixteen years factory manager of the graphophone company) and the "Graphophone Grand" patent. The first of these inventions provided the principle upon which every spring motor, talking machine in use today is modeled. The second, which disclosed that a "critical speed" for the surface of a record must be attained to secure the best results, was upheld as a valid patent of the Graphophone company's against attacks from all sides.

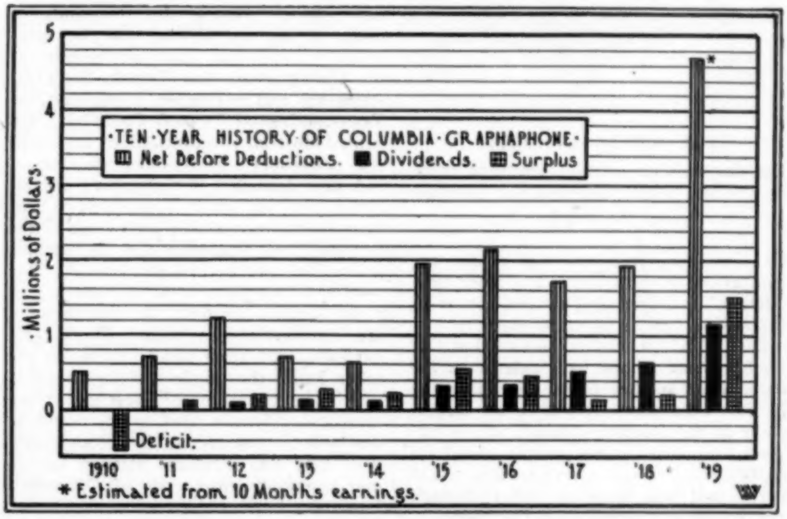
The Columbia Graphophone Company once the validity of its patents had been established, granted licenses thereunder to other manufacturers. Without these license grants, it is stated that the other companies in the field today could not have operated. Under the circumstances, it does not seem exhorbitant, to say the least, that the Columbia Graphophone Company should carry "patents" on its balance sheet at $500,000.

Growth of the Company

In recent years the growth of the Graphophone Company has been nothing short of spectacular, rivaling the growth of any other American industry.

The manufacture and marketing of machines and records was begun by the company in 1887 in a tiny factory in Bridgeport, Conn. During the years of pioneering, the company's output of machines amounted to 3 and sometimes 4 machines a day. Once, through a superhuman effort, the infant company managed to get out 5 machines inside of 24 hours; but that involved having the company's entire force work all night and couldn't be kept up as a regular thing.

The company's Bridgeport plant of today, instead of being odd space in a small building, covers two city squares and employs more than 7,000 men. Its capacity has risen to 4,000 machines a day (compare that with the original output of 4 machines a day), and it has an annual capacity production of records running well into the millions.



In addition to the Bridgeport plant, Columbia Graphophone has plants at London, England, and Toronto, Canada. The Toronto plant occupies more than 12 acres of ground and consists of 8 large permanent buildings and 3 smaller frame buildings, together with railroad sidings running directly into the largest structure.

Judging purely from the comparatively poor demand that prevailed for talking machines in the early days of their manufacture, one might imagine that the three plants Columbia now owns might be enough to fill its requirements. On the contrary, the company is still unable to come anywheres near to meeting its market. The cry from the top of the organization to the bottom is, "More production," and there is only one course to follow—to further increase capacity.

THE ORIGINAL MODEL

The first talking machine mounted upon the top of a sewing machine, and operated by the treadle

Late in 1919 it was announced that Columbia Graphophone had undertaken the erection of another plant, this one to be in East Baltimore. It will be the largest plant in the company's string, and is expected to cost in the neighborhood of $5,000,000. The site covers an area of 115 acres, and will have an outlet through the Pennsylvania and B. & O. roads.

In addition to the construction now going on at Baltimore, it is the present intention of the management to erect two other plants in the Middle West.

The Baltimore and Toronto plants will probably be in operation before next fall: the other new plants will be under way just as soon as suitable locations can be found. And when the whole construction programme is finished, the Columbia Company will stand head and shoulders above any other talking-machine producer in the world.

What Columbia Produces

There is a picture attached to this story showing the first machine produced by the present Columbia Graphophone Company. One look at it and we hark back to the days when we used to listen, in a half-awed, half-amused, sort of way at squeaky, unintelligible sounds that used to emerge from a clumsy tin horn mounted on a frame and connected with a cylindrical record. It reminds us of another similar product, on the market about the same time and employing the services of a gentleman equipped with brass lungs, who used to warn us of what was to come with the announcement: "The Flowers That Bloom in the Spring, Tra-la, sung by Miss Pansy, Edison Reco-o-ord!"

There is another picture showing Columbia's latest "Grafonola—a" perfectly contoured creation modeled exactly on the lines of a baby-grand piano, and equipped with the latest inventions in sound-reproduction. Compare the two pictures and you have a better description than we could ever put into words of what Columbia used to produce and what the company produces today. From "type A" Grafonolas, costing $20, to Period Design instruments costing as high as twenty-one hundred ($2,100), the Columbia company has instruments on the market appealing to every class of music lover.

In addition to the manufacture of talking machines, Columbia also does a very large business in the manufacture of "Dictaphones." This little instrument, unknown a few years ago, has now firmly established itself as one of the most important labor-saving devices of the modern business office. Among the thousands of users of the Dictaphone may be mentioned the principal railroad systems of the United States and Canada, the great steamship and navigation companies, the Transcontinental Express Companies, the giant industrial corporations of the country, newspapers, universities, etc., etc.

A new departure in Columbia's organization, and one which is expected to produce results comparable with those of the Graphophone, Grafonola and Dictaphone, is the Personal Record department. This service is for the use of all wishing to make personal records. At first thought, the commercial possibilities of this department may seem small; when, on the other hand, the number of occasions in which the recording of speeches, songs, sermons, addresses, and so on, would be desirable is considered, it becomes evident that this Personal Record service may eventually prove one of Columbia's important business getters.

Labor Troubles and a Solution

In the period of industrial unrest and of strikes fomented by foreign agitators which this country only recently passed through the Columbia Graphophone Company was one of our first corporations to take a determined stand. Quite properly, its ultimate victory over the forces of disorganization was one of the most pronounced.

Along about the month of July last year, a group of trouble-makers, whose names were more than likely mounted on "ski's," succeeded in undermining the morale of the employees at the Columbia plant at Bridgeport. Demands of the most exaggerated type were made of the management, accompanied by threats of a strike if the demands were not met.

The Columbia people knew two things about the trouble when it started; first, they knew that their own "steady" men were not sincerely in favor of striking; and, secondly, they knew that these same men were well paid, and had no just grounds for the stand they were being forced into taking. Other companies, similarly affected, knew the same things; but other companies gave in. Columbia, on the contrary not only refused to give in but announced that it would close up the Bridgeport works and move somewhere where the air was freer if the foreigners' demands were pushed. The foreigners' demands were pushed; and Columbia, true to its words, closed up. As a result some 7,000 workers were thrown out of employment through their own misjudgment, and anywheres from 20,000 to 25,000 persons, whose chief support depended upon operations at the Bridgeport plant, were stranded with no visible means of income.

The city of Bridgeport was almost paralyzed with amazement and fright. The fathers had visions of a pay-roll of something like $1,000,000 a month vanishing away. About the worst catastrophe that could happen to a municipality—the loss of a big industry—was happening to theirs.

To make a long story short, the Mayor, Chamber of Commerce, representatives of the workmen (perhaps some of the now badly frightened "reds" themselves) came to the Columbia company and begged it to reconsider. The management said it would not reconsider—either the men went back to work or Columbia moved.

THE COLUMBIAN DE LUXE

Picturing the "Grand Grafonola," the last word in instruments of music

The men went back to work; and, within a few weeks the big Bridgeport plant was operating again full blast.

As a result of the firm stand it took in the Bridgeport strike, the Columbia Graphophone Company can now look out upon any uncertainties in the labor situation with comparative calm. Its employees are receiving excellent wages, every possible means of safe-guarding their health and improving their living conditions has been adopted, secret balloting systems to give individual employees the opportunity of expressing their true desires without endangering their lives are in force. Altogether, it

looks as though the Columbia Graphophone Company was further ahead in this labor question than almost any other corporation in the country.

The Future Promises Much

The future of the Columbia Graphophone Company promises much. Earnings of the company in 1919 are expected to largely exceed $4 a share, and there is every reason to believe that the current year will produce far better results. The "talking-machine" industry, although much further advanced than it was ten years ago, is still considered to be in its infancy, and there are many markets where sales can be pushed when output makes that desirable.

The company has added a new market for its products in the public school systems of the United States. New York City schools are already installing Columbia machines for instruction, as well as amusement purposes, and the use of the talking machine as an educational agency is advancing rapidly elsewhere. The export market has scarcely been scratched as yet; it will be taken up when the time comes, and is bound to provide a large new source of revenue.

Management of the company continues practically unchanged so far as executive work is concerned. Although Edward D. Easton—the man who built up the industry and did more for it, perhaps, than any one other man—is no longer living, the efficient organization with which he surrounded himself is entirely capable of "carrying on." The late Mr. Easton's successor, Mr. F. S. Whitten, is regarded by his associates with the greatest admiration and respect. Formerly vice-president of the banking firm of Laird & Co., Wilmington, Del., Mr. Whitten brings to Columbia a wealth of experience and ability which make him a worthy successor-in-office to Mr. Easton.

It should be remembered that the current price for Columbia shares represents one-tenth that of the old American Graphophone stock.

Allowance must also be made for the fact that the new issue is not yet very widely held, and is therefore liable to comparatively wide market fluctuations. At the same time, the large amounts of stock held by the DuPont family and other wealthy investors are out of the market for good, and the time does not seem far distant when Columbia Graphophone shares will be generally regarded as a safe investment.

Dividends on the common stock are now being paid at the rate of 25 cents a share quarterly in cash and one-twentieth of a share quarterly in stock. The buyer of 100 shares of Columbia Graphophone at the recent average price of 50 would therefore receive in one year cash dividends amounting to $100 in addition to 20 new shares of common stock. Still valueing the stock at 50, his return would, in all, total $1,100. On the original investment of $5,000, the investor, therefore, receives a yield of 22%, which, in the light of the great future ahead of Columbia Graphophone, is certainly a remarkably high yield.

It can be stated on high authority that the company intends to continue its current dividend disbursements.

Soft Drink Stocks

"Kickless" Beverages Which Tickle the Palates of the Thirsty

NOW that prohibition is an actual, accomplished fact, and our old-time friend J. B. has gulped his last gulp, gasped his last gasp and gurgled his last gurg, to be buried deep, with slight hope of a resurrection morn, the thoughts of the thirsty turn from the erstwhile foaming beaker of Gambrinus and the tempting, tinkling highball, to those thirst quenchers that cheer but do not inebriate—those mild and inoffensive beverages without a kick, and by the imbibing of which the imbiber does not awaken on the morning after feeling like a fiery furnace and with a head like a bushel basket. Indulgence in these innocuous liquids has no tendency to make one see purple elephants with yellow side-whiskers, climbing telegraph poles, searching for nuts to lay away for winter use, or to escape being bitten by pink-eyed dragons with waving peacock tails.

There are many of these drinks on the market—most of them harmless; some of them not so harmless—a few of them palatable, nourishing, healthful and refreshing. Some of these temperance drinks have, by their really refreshing and invigorating qualities, gained nation-wide fame and deserved popularity, and have made large fortunes for their manufacturers.

Coca Cola

Perhaps the oldest, and by far the best-known of the soft beverages, which may be obtained at almost any sodawater fountain in the country, is Coca Cola. The history of Coca Cola reads like a romance. It was a success from the time it was first manufactured, in a very small plant in Atlanta, Ga., in the late '80s. The writer of this article was located in Atlanta at the time, and became one of the original devotees of the drink. Its fame, however, was of a purely local character, and for some time its very name was unknown outside of Atlanta.

It was not long, though, before Coca Cola became a household word, as well as a nation-wide drink, and, whenever folks "saw an arrow, they thought of Coca Cola," to use an old trade slogan of the company.

The Coca Cola Company of Georgia was organized in 1892, although the beverage had been manufactured for four or five years previously by a private firm. There were but three or four thousand dollars invested in the original plant. Some idea of the growth of the business may be gained by the following figures: In 1886, when the drink was first manufactured, 25 gallons were sold to local dealers in Atlanta. In 1893, the first year of incorporation, 19,831 gallons were made, and in the first nine months of 1919 the output totaled 14,844,780 gallons of syrup.

Popular, however, as the drink had become, it was not without its detractors, and at one time in a Southern State the opposition to it became so violent that a member of the Legislature was induced by some of his constituents to introduce a bill in the State Legislature, prohibiting its sale within the borders of the commonwealth on the ground that the drink was a dangerous drug. The bill, however, died aborning, and the very opposition seems to have added impetus to the sale of Coca Cola. The coming summer—the first of nation-wide prohibition—bids fair to see the demand for this drink more than doubled, and in anticipation of this, the new Coca Cola Company, which has recently been organized, and whose stock is listed on the New York Stock Exchange, has nearing completion three additional factories, which will increase its capacity at least 40 per cent.

Grape Juice

Another beverage which for a number of years has bid for popular favor, is grape juice, a number of brands of which have been placed on the market and have obtained more or less popularity. The pioneer in this field was the Welch family, of Westfield, N. Y., who began the manufacture of unfermented grape juice as long ago as 1869, although it was not until 1903 that the Welch Grape Juice Company was incorporated and the drink was widely advertised. Since then a nation-wide campaign of advertising has been followed which has resulted in increased sales annually.

The drink itself is an ideal one, full of health-giving and blood-building qualities, and it is probable that the "long dry spell" which lies before us will tax the company to its full capacity to supply the thirsty with its product. The company owns and operates plants in Westfield, N. Y., North East, Pa., and Lawton, Mich.

In addition to grape juice, the company, about a year ago, began the manufacture of a new product called "Grapelade," which has had a good sale.

Another product of the grape, which has met with much success since its introduction, a little over two years ago, and which will undoubtedly share in the general prosperity of the "kickless" drinks in the days to come, is Grape Ola. This palatable drink was formerly manufactured at Vineland, N. J., but early in 1919 the company purchased the plant of a large wine manufacturer at Fredonia, N. Y., from which place their product is now manufactured. Much new equipment has been added to the plant, including a bottling plant, with a capacity of 50,000 bottles daily, which will be devoted exclusively to the bottling of Grape Ola ginger ale, one of the special beverages of the company. Officers of the company estimate that their sales will reach over $1,500,000 in 1920.

Delatour Beverages

The Delatour Beverage Corporation, which was organized in 1919, and took over the business of a private New York City concern, have expanded their business during the winter preparing for the coming summer months, and in anticipation of a largely increased demand for their products, which include ginger ale,

grape juice, non-intoxicating liquors, non-alcoholic champagne, sarsaparilla and soda waters. The profits of the old concern, which had but a limited capital, showed an average of $50,000 annually, and with the vastly increased facilities and the enormous demand for soft drinks which is bound to come, the corporation looks forward to an era of great prosperity.

Summing It Up

To sum up the situation in the "kickless" drink industry, never before in the history of the world has the outlook been so bright. With the country absolutely bone-dry, so far as alcohol is concerned, and the great American thirst growing greater each day; with the absolute failure of "near-beer" to satisfy that thirst, and the general purity and wholesomeness of the beverages offered the parched public, there is little reason to doubt that the manufacturers of these soft drinks will reap a harvest of dollars never before known in that line of business.

Except for Coca-Cola, few figures are available on these companies. As a preliminary to the distribution of its stock, Cola-Cola of Delaware acquired the assets of Coca-Cola of Georgia. The new company issued 500,000 shares of common stock (no par) into a five-year voting trust, which has issued its certificates in lieu of the shares. The company has also $10,000,000 of 7% preferred stock.

Net earnings before Federal taxes of Coca-Cola of Georgia have been:

Dec. 31, 1914	$2,402,606
" 1915	2,436,060
" 1916	2,328,258
" 1917	2,572,105
" 1918	2,672,895
Sept. 30, 1919 (9 months)	3,606,873

Net sales of Coca-Cola of Georgia have been:

Dec. 31, 1914	$9,120,100
" 1915	9,529,496
" 1916	12,345,994
Dec. 31, 1917	15,047,665
" 1918	12,892,568
Sept. 30, 1919 (9 months)	16,208,257

On the basis of the first nine months of 1919, the company estimates earnings for the full year at the rate of $9 a share on the common stock.

While the management has been very successful and the growth of the business phenomenal, the company has been capitalized on the assumption that prosperity at the peak is likely to continue indefinitely. Prohibition found Coca-Cola in a position to take the highest advantage on a sudden withdrawal of intoxicating beverages, while the manufacturers of intoxicants have not had time to convert their plants to meet the new conditions. In other words, the company had a clear field, albeit temporarily clear. What severe competition might do to Coca-Cola is an undetermined factor. But the past success of the company makes the shares interesting to watch, especially after they become better digested.

Which Is the Best Motor Stock?

Rapid Expansion of Capitalization—Their Record of Earnings—Comments on Leading Companies—Asset Values—The Author's Choice

By **JOHN MORROW**

TO speak of a "cheap" motor stock is perhaps to speak relatively rather than absolutely, but in a group of stocks which represent an industry of the importance and size of the motor industry it quite naturally follows that some of those stocks have greater relative value, are more stable, and are fundamentally of larger worth than others in the same class. The record of the automobile industry during the past year is too well known to warrant detailed comment here.

The growth in the number of motor vehicles in use has been one of the "seven wonders" of the present period of making and spending. It used to be popular to discuss the saturation point in automobile production. As each saturation point was reached, and passed—another top was figured—and subsequently passed.

As of December 31, 1919, it is estimated that there were 7,600,000 passenger and commercial vehicles registered, which represented an increase of 22% over the total for the year previous, and double the registration of 1916. The present number of automobiles averages one for every 14 persons in the United States. Iowa has the greatest density of motors owned, having one for every 6.2 persons. The optimists figure that if this density were applied to the whole country there would be 17,500,000 cars in use. Incidentally, such a total would mean more than a 100% increase in the present number.

In addition to the domestic market for American-made cars, there is the foreign market to be considered. This has showed substantial growth during the past four years, but it is perhaps too early to determine how much of this business will be held permanently. European motor factories were early diverted to war business, and have not yet regained their normal production stride. The American maker has had the markets of the world pretty much to himself, but eventually must meet keen competition, although it is true that foreign manufacturers have not gone in for the production of the cheaper-priced cars, a field in which America stands pre-eminent, and is likely to remain so.

In 1914, the year of the outbreak of the war, the total output of cars, passenger and commercial, was 573,000. In 1917, the production was about 1,800,000 cars. With the entrance of the United States into the war, our factories were immediately turned over to the Government for the production of war materials of every conceivable kind, and naturally car output, especially pleasure cars, was soon restricted, and at a minimum. The motor plants served admirably for the making of munitions and other necessary supplies.

The signing of the armistice found the motor makers in almost an ideal position. Production of pleasure cars had been under severe restrictions, but the country had emerged financially intact, individual purses were distended, and the public apparently was fairly itching to buy automobiles. There was no question of whether it would be possible to sell pleasure cars, rather it was a problem of speeding up production to a point where demand would be at least half satisfied. Generally speaking, the motor factories did not get into their real strides until the end of the spring of 1919, and the opinion may be ventured here that the twelve months from June, 1919, to June, 1920, will perhaps represent the period of peak production.

It might be unsafe to predict that the motor boom is at or nearing its peak. Good opinion says the industry will be employed at capacity, at least through the first half of 1920. Of course a large part of the growth has been natural and founded upon quite practical necessity, but on top of this progress has been a boom, and often the difference between booms and normal development means a substantial change in earnings. A reduction of 10 or 15% in output and sales might indicate this difference, but it is foolish to think of the motor industry as anything but one of the big factors in the industrial life of the country.

In a consideration of the relative attractions of the various motor shares, the precaution must be observed of realizing that this is a time when automobile makers are predominant in a sellers' market, and where the buyer is the initiator of business. Such a condition cannot be expected to last forever, but until the purchasing power of the public is curbed the outlook will continue of the best. The automobile is enough of a necessity, and this applies to passenger as well as commercial vehicles, to assure a substantial amount of stability to the business, but it is not the automobile as a necessity that makes booms.

Capital Expansion

It would be impossible, even if space permitted, to measure up the relative

merits of all of the automobile companies in the country, but there are enough concerns whose shares command an active and interested market to suffice for a worth-while grouping and comparison. A larger number of persons than ever are interested in the welfare of the industry as stockholders in the many companies. In fact one of the features which stands out prominently is the capital expansion of the motor companies during the past two years or so, expansion to meet the rising tide of business, and to provide funds for additional capital.

But there has been another kind of expansion, namely, the increase in the number of units of partnership, accomplished by splitting up shares, and reducing par values, without adding to capital obligations in the total. Share capitalization, as represented by dollars, is not enlarged by this procedure, but the floating supply of stock is generally increased. Also the market price per share is decreased, and stock placed within easier reach of the average trader or investor.

General Motors, it is almost unnecessary to state, is the conspicuous example of expansion. In breadth and scope of activities this company stands head and shoulders above any other company. It controls the manufacture of some 12 or 13 different pleasure cars and trucks, the former ranging from the higher-priced Cadillac through to the medium-priced Buick, down to the lower-priced Chevrolet. In addition, General Motors owns the United Motors Co., the largest motors accessory company in the country and one which has been steadily developing earning power during the last two years. In 1916, General Motors was doing a gross business of $157,000,000, and sold about 132,000 vehicles. Gross business for 1919 is estimated at over $500,000,000, and the output of vehicles is placed at approximately 470,000. Naturally such an expansion of business necessitated rapid adjustment of capital. Whereas in 1914 total capital obligations were only $39,338,983, four years later capital stood at $196,226,200, and $13,000,000 were paid in dividends, while four years previous the dividend account was something over $1,000,000. As of September 30, 1919, total stock in the hands of the public was $226,733,200.

Now General Motors is undergoing a further readjustment and expansion of capital, and when it is finished there will be between 14,000,000 and 15,000,000 shares of common stock out with no par value, in place of the present amount of common stock of $148,015,200, with shares having the par value of $100, in addition to the preferred stocks. Specific mention is made of General Motors because the scope and activities of the company are so far ahead of the other motor concerns that comparison is rather difficult and likely to be not on even ground.

Probably the easiest way to demonstrate the expansion of capital of the leading companies is to present the changes in condensed table form. A short study of the tables will indicate those companies which have expanded to the greatest extent, and also illustrate what has occurred through the splitting up of the common shares and thus increasing the number of such shares outstanding in the hands of the public.

It will be noticed that Chandler has changed 70,000 shares of $100 par value into 210,000 shares without par, and Packard has reduced the par value of its common stock from $100 to $10, thereby increasing ten times the number of shares out. Also, in the past five years Packard has more than doubled the total of its capitalization measured in dollars. Studebaker has increased almost 40%, while Willys-Overland's increase has been over 150%.

TABLE I—CAPITAL EXPANSION

General Motors

	July 31, 1914	*Sept.* 30, 1919
Notes	$7,852,000	....
Preferred	14,985,200	$78,718,000
Common	16,501,783	148,015,200
	$39,338,983	$226,733,200

If all the present 6% preferred and the 6% debenture stocks subscribed for new 7% debenture stock, which is unlikely, the company would have $157,240,800 7% debenture stock out. Common stock will consist of 14,801,520 shares without par value.

Pierce-Arrow

	Dec., 1916	*At Present*
Bonds	$1,250,000	....
Preferred	$10,000,000	$10,000,000
Common, shares.	*250,000	*250,000

*Shares—no par.

Willys-Overland

	Dec., 1914	*At Present*
Preferred	$4,721,000	$24,383,500
Common	20,000,000	39,428,087
Total	$24,721,000	$63,811,587

Stutz

	June, 1916	*At Present*
Stock, shares	*75,000	*100,000

* No par.

Saxon

	June, 1916	*At Present*
Preferred	....	$1,250,000
		Shares
Common	*$6,000,000	**180,000

* $100 par.
** No par.

Studebaker

	Dec., 1914	*At Present*
Preferred	$12,180,000	$10,665,000
Common	27,931,600	45,000,000
Total	$40,111,600	$55,665,000

Packard

	Aug., 1914	*At Present*
Preferred	$5,000,000	$15,500,000
Common	*7,065,300	**11,840,930
Total	$12,065,300	$27,340,930

* $100 par.
** $10 par.

Chandler

	Nov., 1915	*At Present*
Common	*$7,000,000	sh's**210,000

* $100 par.
** No par.

	Maxwell	*Chalmers*
Notes	....	$3,150,000
Preferred stocks.	23,260,804	4,400,000
Common	12,805,158	sh's*400,000
Total	36,065,962	* No. par.

Maxwell-Chalmers Consolidated Proposed Capitalization

Notes	$10,000,000	....
Preferred	3,150,000	....
Common, shares..	*420,691	....

* No par.

Hupp

	June 30, 1916	*June* 30, 1919
Preferred	$1,062,500	$1,309,900
Common	5,192,100	5,192,100
Total	$6,254,600	$6,502,000

In the group there are three companies whose records are such as to warrant the statement that to date they have been relative failures, insofar as results to shareholders are concerned. They are Maxwell, Chalmers and Saxon. Two or three years ago, Maxwell looked like a highly prosperous concern, with earnings of most respectable size, but the slump was sudden and sensational, and has never been fully explained. Chalmers and Saxon had two years of comparatively good results, but the war period instead of bringing them good business had the opposite effect, and in 1917 the Chalmers plant was leased to Maxwell. Saxon was in the hands of a creditors' committee for two years or more, but lately has been reorganized and is now striving to win back a place in the estimation of investors.

The record of Stutz is worth noting carefully. Originally capitalized with 75,000 shares of no par, it was not until late in 1919 that capital was expanded, and then 25,000 additional shares were sold. Even now the 100,000 shares are rather closely held, and the company has not attempted to capitalize fully its growing prosperity. If the motor boom continues, it is possible that the company may do something along these lines, although there have been no official suggestions of any such move.

For the sake of comparison, if all shares, unless otherwise specified, are taken at $100 par, a comparison would show a capital expansion of something like 140% in the past few years with respect to the companies under discussion.

There is no intention of criticising the motor managements for expanding their obligations. It had to be done. At the same time the thought arises that when the business boom ends, those companies with tight and compact capital structures will perhaps be able to make the relatively better returns to their shareholders.

On the basis of current business the capitalization of the motor companies does not indicate top-heavy capital obligations. If, however, a decline in business comes, a test will ensue which has not yet been endured, and there is no precedent to guide in estimating how the various companies will fare. The motor industry has relatively little financial history.

The readjustment which is taking place

in Maxwell and Chalmers means practically a new deal for these companies. They are to be consolidated into one company, but the committee of readjustment has not sufficient stock in hand to warrant an announcement of a consummation of the plan. In passing, it may be mentioned that upon the success of the merger depends the willingness of bankers to loan the new company some much-needed working capital.

Among the cheaper-priced motors shares, Hupp looks to be a likely prospect, but the history of the company is too scant, and its development too recent to admit of a definite rating.

In the consideration of capital expansion, and its possibilities, Stutz stands well to the fore.

TABLE II—EARNINGS RECORDS

General Motors

Dec. 31,	Net Profits	Earned on Com.	Divs. Paid
*1916	$29,146,107	$168	$25
1917	34,634,855	34.2	10
1918	35,504,576	8.75	12

* July 31.

Packard

Aug. 31,	Oper. Income	Earned on Com.	Divs. Paid
1917	$7,700,487	$41.20	7¾
1918	9,281,332	42.71	6
1919	7,155,591	41.16	13

Chandler

Dec. 31,	Net Income	Earned on Stock	Divs. Paid
1916	$1,716,166	$24.5	7
1917	2,382,403	34.0	13
1918	2,194,618	31.3	12
1919	5,652,255	26.9	6

Studebaker

Dec. 31,	Oper. Income	Earned on Stock	Divs. Paid
1916	$8,520,727	$26.1	10
1917	3,799,299	9.1	7
1918	4,179,859	10.3	4

Stutz

Dec. 31,	Net Income	Earned on Stock	Divs. Paid
*1916	191,812	$7.92	$1.25
1917	1,074,779	14.33	5.0
1918	594,048	7.92	5.0

* 6 mos.

Willys-Overland

Dec. 31,	Net Income	Earned on Com.	Divs. Paid
1916	$9,565,178	$5.74	$4.50
1917	9,042,282	4.85	3.00
1918	10,311,897	5.53	1.00

Pierce-Arrow

Dec. 31,	Net Income	Earned on Com.	Divs. Paid
1916	$4,070,259	$13.08	....
1917	3,598,748	11.19	$2.50
1918	2,765,741	7.86	5.00

Maxwell Motors

July 31,	Net Income	Earned on Com.	Divs. Paid.
1917	$5,368,546	$29.62	$2.50
1918	2,158,835	4.67	7.50
1919	1,398,166	....	....

Chalmers

Leased to Maxwell in Sept., 1917. Earnings Record incomplete.

Hupp

June 30	Net Profits	Earned on Com.	Divs. Paid
1917	$179,925	$0.34	....
1918	745,138	1.43	....
1919	456,572	0.87	....

Saxon (old company)

June 30	Net Income	Earned on Stock	Divs. Paid
1916	$1,316,273	$21.9	....
1917	663,768	11.0	$5

The Earnings Record

Earnings of the motor companies have taken some rapid jumps back and forth during the past four years; 1915 and 1916 were good years, and business was aided by war contracts from the other side, by growing prosperity of this country, and by the fact that the industry itself apart from outside influences was beginning to find its real place in the industrial fabric of the country. A slowing up became evident when the United States entered the war, and 1918 was a year of moderate success. Returns for 1919 are not fully in, but enough is known to indicate plainly and unmistakably that it was generally a period of big earnings. Prices were advanced enough to offset higher materials and labor costs, and the quantity of production meant a margin of profit satisfactory to the managements and to shareholders.

Earnings records of the various companies, which are needed to picture their positions, are best given in the form of tables. Gross business done is not uniformly made public by all of the companies, so that the tables show net operating profits, where those figures are available, the amounts earned on the common stocks in dollars per share, and similar figures for dividends paid.

Packard

Earnings of the Packard are about as consistent as those of any of the companies, and the company has in the past distributed generous stock dividends. The present dividend rate is 10%, or $1 a year, on the shares of $10 par. The increase in Packard's capital suggests that unless very good earnings continue, shareholders will take their benefits from operations in regular dividends, and that there will be less inclination on the part of the management to make large extra payments, either in cash or stock. Packard sells one of the higher-priced cars, but production in one year was over 9,000. During the past few years the company has found a substantial revenue in the production of motor truck chassis, and airplane engines. Production of passenger cars after the war was not resumed until April, 1919, and it is unlikely total production was up to previous high figures.

General Motors

On account of the rapid changes in the capitalization of General Motors, a comparison of earnings does not mean as much as it would ordinarily. After earning $34 a share on $76,873,000 common in 1917, the corporation returned $8.75 on $147,379,900 stock the next year, but in 1919 it is estimated that earnings on the common stock were somewhere near $40 a share on $148,000,000 stock, after all deductions, which would mean about $4 a share on the shares of no par value. The average trader or investor is not interested in the General Motors' $100 par common stock. It is too "luxurious" for ordinary blood, and its movements are too violent to be conducive to mental comfort. The new common without par is selling on the New York Curb on a "when issued" basis, although the actual exchange of shares on a 10 for 1 basis will not be made until early in May. If this stock has an earning power of around $4 a share, it is not too high by any means in the neighborhood of 30. But there will be over 14,000,000 shares outstanding, and one argument used against General Motors is that its rapid and constantly growing need for funds may vitiate its fundamental resources before tangible equities can be built up to a conservatively safe total.

Stutz

There is nothing sensational about Stutz earnings, but they have been comfortable and realized on limited production. It is estimated that the company earned in 1919, after taxes, $11 a share or better on the $100,000 shares now out.

Studebaker

Studebaker's earnings have not shown stability, at least so far as results from the sale of cars is concerned. The company did a big war contract business which brought excellent returns in 1915 and 1916. According to official announcement, 1919 was quite the best year in the company's history, and earnings on $45,000,000 common stock are placed at $20 a share.

Chandler

Chandler's record has made comfortable reading. Earnings for 1919 were equal to nearly $27 a share figured on 210,000 shares of stock, which would mean $71 on the old capital of 70,000 shares.

Pierce Arrow

Disappointing is probably the word for the showing of Pierce Arrow for 1919. The company may have earned $6 a share on the common, but little more. It has been said that sales of pleasure cars took care of the 8% dividends on the $10,000,000 preferred, while results to common stockholders depended upon the motor truck business, which incidentally was far from being at boom heights last year. Pierce Arrow discontinued dividends on the common stock during 1919, which may be taken as an indication of what the management thought best for the company.

Willys-Overland

The returns of Willys have not been all that might have been hoped for. There are no estimates available for 1919, but for several months the company was tied up by labor troubles which will find its reflection in earnings returns.

Hupp

Hupp earned but 87 cents a share on the common stock for the year ended

June 30, 1919, but the company has inaugurated dividends at the rate of $1 a share yearly, and it is altogether likely, in fact practically certain, that revenues in the second half of 1919 were far better than in the first half.

The Others

Saxon has had no earnings record during the past year or so, and is starting anew. According to latest returns available the Maxwell-Chalmers Co. combination earned about $1 a share in the last fiscal year on the common stock of the new company, as it will stand if the merger plan goes through.

On the records, General Motors, Chandler, Packard, Studebaker and Stutz are the best earners. Of the five, General Motors sells all-priced cars, Packard produces one of the higher-priced cars, and Chandler and Studebaker medium priced. Stutz, with a limited production, sells a distinctive car, which appeals to the sporting driver rather than to the family jogger. But Stutz can make a nice living on a production of 3,000 or 4,000 cars, and if the company should get up to 10,000 returns would be very satisfactory indeed. There have been reports that the company intend to expand plant capacity, with a 10,000 car limit in view.

Studebaker sold 38,000 cars in 1919, but back in 1916 the company turned out over 60,000. General Motors output in last year is placed at 470,000 cars, Chandler probably 15,000 to 20,000, which would be quite the best for that company. Figures for Packard are not available, but the company did not resume passenger car production after the war until April, 1919, and the manufacture of trucks plays a very important part in this company's affairs. All of these companies, according to common report, plan to increase largely output during the current year, and it remains to be seen whether the market will take the output as readily and as eagerly all through the year as it did last year.

Saxon and Maxwell-Chalmers might almost be regarded as "prospects," eliminating their past records and looking to the future. Pierce Arrow must increase its truck business, and Willys-Overland stands in the middle ground, and its common shares have yet to prove their right to be considered high grade in their class.

Asset Values

Asset values of the motor shares are rather lean as compared with other of the industrials. So many of the companies are of so recent standing, and their present capitalization is so new, that asset value must be taken with qualifications. Almost all of the companies carry a liberal good-will account, and there is justification for this, but in the accompanying table, good-will, patents, etc., are deducted before figuring results. Earning power has perhaps been capitalized somewhat freely, but in the history of American industry such procedure finds many precedents, particularly when any particular industry is in its childhood, and certainly the manufacture of automobiles, while it has passed infancy, has not quite matured.

Another point to be regarded in connection with asset values, is the fact that additions to net worth through earnings of last year are not included, and their inclusion will, of course, make some difference.

No one is buying the motor shares these days primarily for income return. As the writer sees it, there is little or no wisdom in looking at the common shares of the motors from any investment angle. These stocks are speculative.

TABLE III—ASSET VALUE OF COMMON STOCKS PER SHARE

General Motors, Dec. 31, 1918	$103
Packard, Aug. 31, 1919	244
Studebaker, Dec. 31, 1918	95
Chandler, Dec. 31, 1918	77
Willys, Dec. 31, 1918	33
Pierce-Arrow, Dec. 31, 1918	33
Stutz, June 30, 1919	17
Saxon, June 30, 1918	5
Hupp, June 30, 1919	6
Maxwell, July 31, 1919	None

TABLE IIIA—HIGH PRICE OF STOCK 1916

General Motors	135
Packard	260
Studebaker	167
Chandler	..
Chandler	..
Stutz	79½
Pierce-Arrow	..
Willys	76¾
Maxwell	..
Saxon	83¾
Chalmers	39½
Hupp	..

The preferred stocks of the several companies are for the most part well protected by earnings, and this applies particularly to the General Motors preferred shares, Packard 7% cumulative preferred. Studebaker 7% cumulative issues appears relatively well secured, and Willys-Overland 7% preferred is a medium grade issue.

The common shares are decidedly not on the "bargain counter," and perhaps are not ready for long pull accumulation, by that meaning they are not at a level where purchase for indefinite retention is altogether advisable. The industry seems near the peak of its boom, and it is also fairly evident that the companies have gone some distance toward capitalizing their present prosperity. They have not been particularly extravagant in the distribution of cash dividends, but have considerably expanded the units of profit participation, otherwise shares of stock.

It may be admitted that the determination of the "cheapest" motor stocks is largely a matter of opinion. The public in buying motor cars is somewhat fickle. Its tastes change, and the automobile owner in this country has not been educated up to the point where he will consider the purchase of a car primarily from the standpoint of an investment for his funds. It is still more or less of a speculation with him. This attitude finds a reflection in earnings.

All things considered, the opinion may be set forth that either Stutz or Chandler appears to be the most attractive of the motor issues. Neither company must turn out a great number of cars to make a fair living. Both are rather conservatively capitalized, and this without implying that the other companies are necessarily overcapitalized. Their cars have an established clientele. Furthermore, the shares of these companies appear to be in strong hands.

Chandler, judging from current earnings, still contains possibilities of extra dividends, and Stutz may capitalize its growing earning power in a way to result in substantial benefits to shareholders. Also, with a falling off in the demand for automobiles, and a slowing up in the industry, both concerns should be able to weather the period without drastic damage to the interests of shareholders.

TABLE IV—PRICE RANGE COMMON STOCKS

	1916		1917		1918		1919	
	H.	L.	H.	L.	H.	L.	H.	L.
General Motors	135	120	146	74⅛	164	106¼	406½	118⅛
Packard	260	160	168	97½	125	82½	293	111½
Studebaker	167	100⅛	110½	33⅝	72⅞	33⅞	151	45¾
Chandler	..	..	104¼	56	109⅞	68¼	*367	103
Chandler	..	..	..	..	..	..	**141¼	90
Stutz	79½	48⅛	53¾	35¼	55	37	144⅞	42¼
Pierce-Arrow	..	..	41¾	25	51¾	34	99	38¾
Willys	76¾	34	38½	15	30	15⅛	40¼	23¼
Maxwell	..	..	61¾	19⅛	42½	23⅛	61	26⅜
Saxon	83¾	68⅞	68	4⅞	18	4¾	29	6¼
Chalmers	39½	33	7	2½	7	3	15⅝	4
Hupp	..	..	5½	2⅛	5⅜	2⅛	15⅛	4⅝

*Old Stock (par value $100)

**New Stock (no par value)

Two Retail Dry Goods Combinations

Their Profits Rise with Growing Demand—May Department Stores Plows in Profits Instead of Blowing Them In—Is Associated Dry Goods Overcapitalized?

By **JAMES GARRISON**

THE textile industry has been favored in 1919 in every branch from the cotton pickers to the distributors of the finished products as never before. High prices have prevailed, but nevertheless, demand has continued to run abnormally high, with special preference for the better grades of goods. The buying power of the public has been enormously increased by the high general level of wages and salaries, and an increasing desire for luxuries appears to have been a part of current after-the-war psychology. Its effect upon dealers in textiles and allied goods has been an unprecedented volume of goods sold at rising prices of inventories, with good margins of profit.

The extent to which different firms engaged in this industry were able to take advantage of the unusual opportunities offered by trade conditions, depended on their preparations to this end by proper arrangement of their financial structure, provision of sufficient working capital to handle a large volume of business, ability to carry large inventories on a rising market, in addition to the ordinary factors to successful business management.

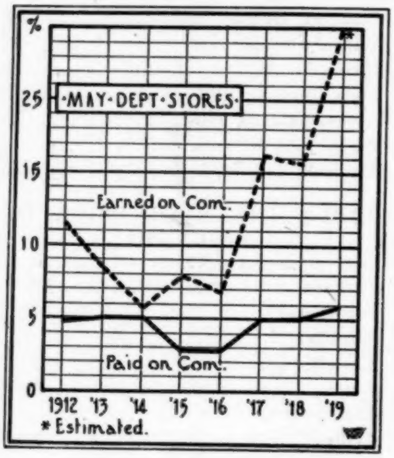
Associated Dry Goods' Record

Current reports as to the doings of Associated Dry Goods during the past year agree on only one point, that earnings were the highest in the history of the company. Estimates of the amount earned on the common vary from $7 to $25 a share. It will be seen from the accompanying figures that the record of the company, as far as earnings on the common go, had been nothing to boast about previously.

The company had been organized in 1916, as a consolidation of the Associated Merchants Co. and the United Dry Goods Co., neither of which had been a startling success as dry goods distributors. At the time of consolidation there were 8⅛% accrued dividends on the first preferred, 9¾ accrued on the second preferred of the Associated Merchants Company, and 10½% accrued on the preferred stock of the United Dry Goods Co. These accruals were paid off by the offer of additional first and second preferred stock of the new company, as well as an exchange of new first and second preferred stocks for the old issues. The common stocks of the old companies were exchanged, par for par, for common stock of the new corporation.

Seeing that the two companies which coalesced to form the Associated Dry Goods Co. were unable to pay their preferred dividends, and that accruals were paid off in new stock, while the old stocks were taken over at par or better, the question raises itself as to whether the capitalization of the new company represents 100% earning power.

A consideration of the amounts earned per share of common stocks from 1916 to 1918, inclusive (years of unusual prosperity for the textile and retailing industries), show very small amounts, indicating that for the type of business done by the firm, the financial structure shows too great a preponderance of preferred stock. A similar conclusion is reached by a study of the balance sheet.



Against a total capitalization of $35,529,200, the 1918 balance sheet showed $22,315,562 of total assets, with no deduction for current liabilities. It is true that this company has not capitalized its good will or other intangible assets in its balance sheet, but as most of its assets are in the form of securities of subsidiary companies, this item may or may not have been included in the capitalization of the smaller concerns.

The company owns the outstanding capital stock of James McCreery & Co., Hahne & Co., the William Hengerer Co., J. N. Adam & Co., Powers Mercantile Co., Stewart & Co., and the Stewart Dry Goods Co. In addition, it owns the Surety Coupon Co. and the Adrico Realty Corp., which owns and operates the McCreery building in New York City. These concerns operate department stores in New York, Newark, N. J., Buffalo, Baltimore, Minneapolis and Louisville, in addition to real estate and coupon premium interests.

Associated Dry Goods also owns $2,202,200 out of an issue of $4,395,100 of Lord & Taylor preferred, and $2,420,700 of the $3,000,000 of common. It is also carrying $750,000 of Lord & Taylor's 7% debentures, and $100,000 of the common stock of C. G. Gunther's Sons, running a big store in New York City.

Lord & Taylor has accrued dividends of about $500,000 on its preferred issues, so that eventually Associated Dry Goods is due for about $250,000 in accrued dividends as soon as Lord & Taylor feels in a position to pay up arrears. The fact that Lord & Taylor has been running behind on preferred dividends for some two years makes the common, of which Associated Dry Goods holds proportionately much more than of the preferred, of rather doubtful value for the time being.

Capitalization and Earnings

Associated Dry Goods has no funded debt, but has two issues of preferred stock, the first preferred paying 6%, of which $20,000,000 has been authorized and $13,818,700 is outstanding, and the 7% cumulative second preferred, of which $10,000,000 is authorized and $6,725,500 is outstanding. Both issues are of $100 par value, are cumulative, and vote equally with the common. The first preferred is senior as to dividends and assets over the second preferred, and the latter issue is preferred as to dividends and assets over the common.

Of the latter stock, $20,000,000 has been authorized, and $14,985,000 issued, in shares of $100 par value. The earnings figures herewith shown do not reflect very favorably on the earning power of the common stock, but it is said that the earnings of the company for 1919, with large inventories carried on a rising market, will be much better. Estimates range all the way from 7% to 25% earned on the common, although it is difficult to see how the higher figure could have been earned without at least tripling the previous year's profits.

Dividends on the first preferred have been paid since 1917, and on both preferred classes since 1918, at full rates. On the common stock no dividend have ever been paid, although rumors of impending initial disbursements on the common have been afloat since 1918. It is expected that some announcement on this matter will be made in March, when the directors meet.

At late prices the first preferred, at 71, yielded 8.45%, while the second preferred at 72 yields 9.72%. This reflects the difference in protection of the two issues, and indicates that neither is considered in the first rank of investment securities. The common, selling at the same time for 52, would seem to have discounted at least 5% dividend, with due allowance for the risk involved, and present prices would seem to have fully discounted the early possibilities of the stock.

The May Dept. Stores

May Department Stores is somewhat older, having been incorporated in 1910. It does business in Cleveland, St. Louis,

Denver, Akron, and other mid-Western and Western points. Its financial policy has been one of notable conservatism, enabling it to pile up a surplus of large dimensions.

The operating ratio of the company has shown a surprising constancy, decreasing in the last few years, however, with growing volume of business. Since its organization the net income has steadily increased, being in 1919 about three times the 1911 figure. The preferred dividend has usually been earned some four to five times over, and the cautiousness of the management has been shown in initiating dividend payments on the common and in keeping them down well below the level of earnings.

Part of the surplus has gone into increasing the working capital of the company, now about $65 a share, compared with less than $32 a share in 1914. In the same period the preferred stock outstanding was reduced from $8,250,000 outstanding to $6,826,875. Inventories have increased from $4,391,899 to $6,018,123, or about in the same ratio that the gross business has increased, indicating tnat the success of the concern is due to expansion of business rather than to more rapid turnover.

The good-will and trade names are carried in the latest balance sheet at $15,015,226, which is not much for this type of business, where intangibles carry great weight. This figure has remained practically constant for many years.

The net tangible assets applicable to the common stock amounted to $72 per share, according to the 1919 balance sheet. It must be recalled that the fiscal year of the corporation ends on January 31, so that the new annual report should be out shortly. In view of the prosperity of the industry during the past year, it is likely that some of the figures stated above will have to be revised upward when definite statistics of the year's operating results are made public.

Table II—Terms of Exchange.

Holders of—	Received in Exchange: New 1st Pfd.	New 2d Pfd.	New Com.
Assoc. Merch. Co., 1st pfd. stock........	*108⅛%	....	....
Assoc. Merch. Co., 2d pfd. stock........	†9¾%	100%	....
Assoc. Merch. Co., common stock........	....	....	100¼
United Dry Goods Co., pfd..............	‡80½%	40%	....
United Dry Goods Co., com..............	....	....	100%

*8⅛% of which represents accrued dividends on old stock.
†Represents accrued dividends on old stock.
‡10½% of which represents accrued dividends on old stock.

Earnings and Dividends

As shown by the accompanying figures, the earnings of the company were fair before the war, and, since 1917, very good indeed. An estimate for the year ending January 31, 1920, from a source close to headquarters, puts earnings at $25, or thereabouts, per share, which is in line with current statements that the year recently past was the best ever for the retailing industry.

In 1919 the common stock was put on a 6% basis, raised in November to 7% annually. The preferred stock has paid its regular 7% dividends since organization. Talk about a stock or cash dividend has been persistent, the report being that the company was waiting for the decision of the Supreme Court on the taxability of stock dividends before taking action. It is being said that if stock dividends are declared taxable, the company will pay a large extra dividend on the common.

With a profit and loss surplus, according to the 1919 balance sheet, of some $40 a share, which was probably considerably increased during the year, such action would seem not unreasonable. The industry in which the company is engaged does not permit of mucn "plowing in" of earnings into equipment, hence extra earnings not expended on dividends usually either retire previous obligations or build up a large working capital.

Table III—May Dept. Stores' Growth.

	Net Sales	Ratio of Op. Exp. to Net Sales	Net Working Capital (per Share Basis)
1913..	$24,504,769	89.62	$42
1914..	26,314,804	91.33	31
1915..	25,409,150	92.51	29
1916..	23,309,802	90.73	34
1917..	30,347,482	88.72	46
1918..	35,631,660	88.08	56
1919..	41,179,261	87.91	65

Table I—Associated Dry Goods Record.

	Total Income.	Earned Per Share on Common.
1916........	$1,170,015	2.98%
1917........	1,764,187	1.54%
1918........	2,199,735	2.04%

The bonded debt of the company is small, consisting of $1,640,000 of first mortgage 6s of the May Building Co., a subsidiary. The preferred stock now outstanding is about $6,500,000, out of $8,250,000 originally issued, some of which was subsequently redeemed. It pays 7%, and is cumulative, being elaborately protected by provision for a "special surplus fund," which must be kept at a minimum of $1,000,000 to allow dividend payments on the common. At a late price of about 105, it yields 6.67%, which is fair enough for a well-secured investment.

Of the common stock, there is outstanding $15,000,000, the full amount authorized, in shares of $100 par value. At its current price, about 120, it would seem to have discounted most of the favorable factors for some time, as the yield is only about 4.16%, the rest of the price being made up of hopes for the declaration of an extra dividend of some sort.

VARIOUS SITES OF THE NEW YORK STOCK EXCHANGE

Board Met in Private Wall Street Office in Boom Days of 1824

Wall Street has had many boom days. It is recorded that in New York alone companies having a capital of $52,000,000 were organized in 1824. Morris Canal stock, offered to the public in 1821, is said to have been subscribed for twenty times over.

The Board met in various places, trading being carried on in 1820 in the office of Samuel Beebee, 47 Wall Street. A number of years later it was to be found in the old Merchants' Exchange, at the corner of Wall and William Streets.

It was only a few years after this that railroad stocks became speculative favorites, the first railroad stock, that of Mohawk & Hudson, being put on the Exchange list in 1830. Investment and speculation in railroad issues soon became the chief business of Wall Street.

In proportion to the resources of the country the interest in securities was quite as great at that time as it is today. The newspapers had begun to give space to financial transactions and regular market reports appeared. The decade which ended in 1840 and which witnessed the struggle between President Jackson and the United States Bank was one of the most exciting in the history of the Street. There was much turmoil and the panics of 1837 and 1839 helped keep up the unsettled condition.

The Board held its meetings in the old Merchants' Exchange until 1835, when the building was burned. Later the new Merchants' Exchange was built and the Board moved to this building in 1842 and remained there until 1853. In those days the members kept all operations secret under penalty of expulsion and there was no field for financial news agencies. But the efforts of the Board to keep its proceedings a profound mystery only excited the more curiosity and it is chronicled that the members of an open exchange which was organized in 1837 engaged a building next to the Board-room and dug the bricks out of the wall in order that they might see and hear what was going on.

From the Merchants' Exchange building the Board moved in 1853 to a room in the Exchange Bank building at the corner of Beaver and William Streets. About 1857 the association moved again—this time to "Dan Lord's building," with entrances on William and Beaver Streets. It is said that the efforts to keep proceedings a secret were still so successful that one hundred dollars a day was offered for the privilege of listening at the keyhole during the time of the calls. In 1865 the association moved to its present location. The New York Stock Exchange as it now exists was formed in 1869 when a truce was called with a second "Open Board of Brokers," which had been formed in 1863, a consolidation being effected between the Open Board, the Stock Exchange and the United States Government Board.

Mexican Eagle Well Intrenched

Oil Production Exceeds Pipe Line Capacity—The Salt Water Question—Position of the Stock

While the United States is the largest oil producing country on earth, some of the best oil produced comes from our southern neighbor, Mexico, and one of the strong companies engaged in the industry is chartered under the Mexican laws. Its properties are situated in Mexico, and in fact, it is in all essentials a Mexican company. Unlike many of the properties located within the boundaries of the trouble-torn republic, it has been practically immune from the internal troubles which have played havoc with many other foreign-controlled corporations. This is the Mexican Eagle Oil Company, Ltd., the control of which has passed into the hands of the Royal Dutch-Shell interests, which, with the sole exception of the Standard Oil, are the strongest in the oil business. The Mexican Eagle is said to be the largest refiner of oil in Mexico, having two refineries, one at Tampico and the other at Minatlan, the former treating an average of 20,000 barrels of oil every day, while the latter operates on a capacity of 10,000 daily. The company is now planning to quadruple its refining capacities during 1920, as well as to complete many extensions which have been under construction in the pipe lines. The topping plant, which is located at Tuxpan, is now treating from 6,000 to 8,000 barrels a day, and further enlargements are contemplated in the near future.

The Mexican Eagle Oil Co., Limited, was formed in 1908 under the laws of the Mexican Republic, and acquired the oil interests of S. Pearson Sons, Ltd. It holds state concessions in the states of Vera Cruz, Tabasco, Chiapas, San Luis Potosi, Tamaulipas and Campeche. In addition to the state concessions, the company has many Federal concessions in all of the above states, and also holds leaseholds and freeholds which are estimated at approximately 1,500,000 acres. Its assets also include freeholds in the City of Mexico and Tampico, and elsewhere in the country, for tankage and installation purposes.

At present the company owns about 160 miles of pipe lines, which are in operation. About two-thirds of these are double-piped between the producing fields and shipping ports, while in some places the traffic has become so heavy that it has been found necessary to lay a third pipe to accommodate the flow. At intervals of about fifteen miles pumping stations are maintained, which are connected one with the other, and all with the dispatcher at headquarters by private telegraph and telephone. By means of these private wires the dispatcher directs the pressure of the oil, the speed of its flow, and the intake and discharge of the immense tanks which are located at the different pumping stations. The pipe line system is being rapidly expanded, and it is expected that before the year 1920 is ended, many more miles will be in operation. The different tanks along the pipe line rights of way have a capacity of 6,000,000 gallons.

Rapid Development

Since February, 1919, the company's development has been remarkable. Three new wells have "come in" in the Nanranjos field alone, which show a daily production of 210,000 barrels, and new test wells are being driven in the same field. It is roughly estimated that the annual yield from this field alone is 50,000,000 barrels.

The fleet of tank steamers which are owned and operated by the Eagle Transportation Company, which is controlled by the Mexican Eagle Oil Company, has been increased during the past year by putting in service two of the five new vessels being built. These tank steamers have a tonnage capacity of 18,000 each. During the year 1919 the company was no exception from the large concerns which suffered from the world-lack of shipping facilities, and as a consequence the loading at Tuxpam was but 208 vessels against 225 the year previous. The shipments for the first nine months of 1919 were 9,142,000 barrels. This is the largest showing of oil shipments of any company in Mexico during the same period, the next largest shipping 8,000,000 barrels during the same period.

The Eagle Transport Company, half of whose shares are owned by the Mexican Eagle Oil Company, was organized to build and operate tank steamers by which the product of the Mexican Eagle Oil Company would be carried to the various markets of the world, and with the addition of the two new vessels mentioned above, consists of eighteen vessels with a total tonnage of 256,000. When the other three tankers, which are rapidly nearing completion, are put in commission, the tonnage will reach 312,000. The entire fleet, which was inoperative during the great war, has been returned to the owners, although it was well into 1919 before this was accomplished. But with the entire fleet returned, and the new additions thereto, greatly increased quantities of oil will undoubtedly be exported during 1920.

Profits in 1919

The report of the Mexican Eagle Oil Company for the fiscal year ended June 30, 1919, shows the following in Mexican gold:

Profit on trading	$36,888,089
Balance after field redemption	28,181,788
Gross income	29,852,000
Net after bond interest	26,132,719
Total, including 1918 balance	28,251,773
Profit and loss surplus after dividends	3,443,282

The total authorized capitalization of the company is $115,113,580, which has been divided into 10,661,353 ordinary shares of $10 each, fully paid ($106,613,580), 850,000 participating shares at $10 each, fully paid, $8,500,000.

The company has recently authorized an increase of $59,556,790 (Mexican) ordinary shares at $10 each. Of this new issue, one new share for each two shares of old (either preference or ordinary) held by them, is offered to the shareholders, and the balance will be retained for later issue of the general uses of the company.

The company made larger shipments during the year 1919 than any other company operating in the Republic of Mexico, and showed an increase in the third quarter as compared with the first quarter of 33 per cent. In 1919 dividends of 25 per cent were paid on both ordinary and preference shares.

Throughout its entire existence the company has been ably and economically administered by men of exceptional ability, who have spared no effort to place their company and its connections in the front rank of the oil producing corporations of the world.

The Salt Water Question

Toward the end of the year 1918 this company's Protrero No. 4 well, the biggest producing oil well in the world at that time, began to flow an oil and water emulsion which was practically valueless. As the well had been producing at a high rate for eight years, this was not especially surprising. The well was capped and has since been out of use, so far as reports show. There has also been talk of salt water from other wells of this company, but the effect on production has been unimportant, except for the big well above mentioned.

The company has, of course, much undrilled territory. Moreover, the item of "Subsoil rights and field expenses" in its balance sheet has been written down from $33,644,000 (Mex.) in 1914, to $8,279,000 in 1919—undoubtedly a reduction much greater than the actual. And new fields have recently been brought in, where the company has such large ownership of lands or leases that it has practically no competition.

At the present market of 35-38 at New York, this stock, paying $2.50 dividends annually in Mexican dollars, may be figured to yield around 7%—a rather low yield for the common stock of an oil company. The price is based on the previous rapid growth of the company's business, its presumably large reserves of oil, and the excellent demand for oil the world over. Holders do not forget that valuable rights were recently granted and they figure that there may be a repetition of this pleasant incident.

In view of the unsettled state of Mexican politics, the present price looks high enough. But on any sharp decline the investor in oil securities would be warranted in giving the then position of this company another careful examination.

(*Continued from Page* 538.)
whole continent habitable, and also gave the world "salvarsan" that, it is claimed, is a cure for one of the deadliest diseases with which mankind is afflicted. May we not hope "that somewhere in that realm lies the hope for the cure of consumption, cancer, and many of the seizures that rob us of our little ones."

Connection with Chemical Stocks

In the establishment of the Chemical Foundation is the seed of the chemical era of the future, in so far as it definitely links America with that industry and its multifarious tributaries. Primarily it is concerned with dyes and dyestuffs, an essential commodity, without which the wheels of modern commerce could hardly move.

Any practical activity of the Foundation is sure to give the dye industry a tremendous impetus. Investors must take a long look ahead and should brush up their knowledge of General Chemical, Semet-Solvay, Barrett Company, the Dupont Chemical Company, National Aniline and Butterworth-Judson. The last two named have been aggressively pushing their way into the front and are perhaps more in the public eye than the higher priced stocks. The time may come when the Foundation will "get going" and that might be the forerunner of much public enthusiasm for American dyes and American dyestuff shares.

How to Judge the Safety of Securities

Conclusion of Chapter VIII of the Series "How to Invest"—Importance of Considering the Condition of the Business in Which a Company Is Engaged—Effect of General Business Conditions

By **GEORGE E. BARRETT**

THE character of the business is a fundamental thing in determining stability of earning power. If a corporation is not selling a commodity or service for which there is every likelihood of continued demand, the ordinary investor should not purchase its securities.

Particularly where the business is the manufacture of a product dependent upon styles or fads, the business is not likely to be of a permanent nature. Aside from this, there should be considered the possibility of the business terminating through artificial means.

Franchises of a company operating under them should be carefully examined to see that they do not expire before the maturity of the securities. Similarly, few people cared to invest in the liquor business because of the possibility that prohibition might make it illegal to operate.

Having a similar effect would be the exhaustion of the natural resources from which the company derived its earnings power, as in the case of mining or oil companies. Where an estimate may be made of the life of such a company's property, dividends are in the nature of a distribution of capital as well as of profit, and bonds should only be placed on the property having an early maturity or maturing serially.

Competition Is Factor

Besides the foregoing, there is the eventuality of the business ceasing to be profitable through competition. In the case of practically all quasi-public corporations, competition is not permitted by law, and hence this need not be considered. In many industrials it is a matter of considerable importance, although the days are past when one corporation could deliberately destroy the business of its rivals.

Naturally, the small corporation is more vulnerable in this respect than the more important concerns, and this is frequently a sufficient reason for not investing in the securities of a company of insignificant size.

Management is, of course, the determining factor in many cases, but the investor is seldom in a position to obtain first-hand information regarding the directorate of a company and can only judge by results. Circulars describing any securities will naturally claim that the company is in the hands of experienced and able men, even in the case of the most fraudulent promotions. The statement, therefore, means practically nothing. Here again, unless the corporation is well known, the best assurance of capable management is in the character of the banking house handling the issue.

The investor should give some consideration to the conditions of the business in which the corporation is engaged from a broader standpoint. It is not impossible to see difficulties which are likely to confront a certain business in time to avoid loss in securities.

Take, for example, the securities of certain street railway companies. It was a simple matter to predict rising costs and wage scales in the United States, owing to the war, as this has been inseparable from the conduct of all wars.

Knowing that the return to a traction company is in practically every instance fixed by the traditional 5-cent fare, it was not difficult to foresee diminishing net earnings. Likewise, hundreds of corporations whose earnings were dependent upon war demands found net returns fell off as soon as peace came.

This does not mean, of course, that no safe investment can be made in the security of a company, which may show decreased earnings in the future, as the present margin may be several times the amount which would be necessary to render its interest or dividend charges safe.

No attempt can be made to cover all the contingencies involved in an examination of the business in which the corporation is engaged, but it is hoped that sufficient has been said to indicate the desirability on the part of the investor of some knowledge of the conditions surrounding it.

General Conditions

Finally there are the considerations involved in the state of business in general.

To give an obvious example, this is evidently a time when no real investment can be made in a Russian concern. There are doubtless splendid opportunities for speculative profit, but conditions are so disturbed that it is impossible to predict safety for any form of property.

In the case of securities of domestic corporations, this mater is rather one of the time in which an investment should be made than one affecting the intrinsic value of sound securities. The rise and fall of bond prices and some of the factors which influence these fluctuations will be discussed in a later chapter.

The length of the foregoing discussion need not give the investor the impression that the selection of a safe investment necessitates laborious and prolonged study.

As a matter of fact, the safer an investment is the much more apparent is its safety. It is in the selection of equity securities whose safety may be in some question, that the most careful attention is necessary. There are underlying railroad bonds, say, for example, a closed mortgage on part of the main line of a transcontinental system, whose safety can be accepted as of the highest order without any of the very careful attention it is necessary to give an industrial security.

Cause of Losses

After all, nine-tenths of the losses in security investment result from the uninformed buying into a proportion in the hope of large profit. It takes only the most elementary knowledge of the subject to recognize that such securities are unsafe, no matter how attractive their possibilities may be, and to diminish the chances of making an unwise investment.

In a previous chapter it was pointed out that for many investors it is unnecessary to pay the price of the highest degree of marketability. It is important for everyone, however, whether he intends to sell his securities or not, to ascertain that there actually is some market for his investment.

The possession of marketability is, of course, not at all conclusive of value. Worthless stocks may have an active and ready market.

(*Continued from page* 540)

the leased lines, to be exchanged for them par for par. For a period of five years these preferred stockholders agreed to accept a reduction of 20% in the regular dividend rate.

(5) The old 6% non-cumulative preferred stock of B. & M. was to continue as a second preferred, hence subordinate in order of dividend payments to the new

TABLE II—DIVIDEND PAYMENTS ON LEASED LINE STOCKS

	Class of B. & M. 1st pf. into which exchangeable.	Full div. rate.	Rate for 5 years 1919-23.	Paid during 1919 before Dec. 1.	Part of this applicable to 1919.	Amt. pay. Dec. 1 covering bal. for 1919.
Fitchburg	A	5	4%	5.	3.75%	.25
Boston & Lowell......	B	8	6.4	8.	4.	2.40
Con. & Montreal......	C	7	5.6	7.	5.25	.35
Conn. River	D	10	8.	10.	5.	3.
Manch. & Law........	D	10	8.	8.	6.33 1/3	1.66 2/3
Lowell & Andover....	B & D	8.32	6.64	4.16	3.47	3.17
Kenn. & Kennpt......	E	4.5	3.6	2.25	1.69	1.91

first preferred, but sharing equally with it ment of obligations and accumulated divi- and with the common in assets after pay- dends on both classes of preferred. The regular 6% rate was to be reduced to 4% for a period of five years. Dividends on this issue must be paid when earned.

(6) Common stock of B. & M. was undisturbed, but was not to receive dividends for five years.

(7) To obtain money for the payment of the overdue notes, the road was to sell the Government $19,879,000, under a mortgage covering the consolidated properties, except that the old underlying mortgage bonds were to have a lien senior to the lien of the new general mortgage on those divisions which the old mortgages covered.

(8) A rule of possible exceptions was made—all the above provisions as to reduction of second preferred dividends, and withdrawal of dividends from the common for five years, may be abrogated if within five years the company shall sell $12,000,000 of the first preferred stock at par, paying 6%, and apply the proceeds to reduction of the debt to the Governent.

As the accompanying figures show, the upshot of the matter is that fixed charges, not including the hire of equipment, have been reduced by $2,725,864, while dividends on the preferred stocks, which will not drive the company into receivership if unpaid, amount to $2,161,772 for the first five years, and after that time to $2,631,924. This, and the settlement of unpaid note debt, was the principal feature of the reorganization.

Cash to cover the unmatured interest and the reorganization expenses, estimated at $9,887,634 and $254,246 respectively, was obtained by settlement with the Federal Government on account of cash taken over on the assumption of the roads by the Railroad Administration, together with a balance due on compensation. The loan of $19,879,000 obtained from the Government to cover the matured debt was in two parts, an issue of $17,606,000 of 5s, due July 1, 1920, and $2,273,000 of 6s, due January 1, 1929.

Present Capitalization

The bonded debt of Boston & Maine now falls into four classes. First are $8,338,000 of the underlying mortgage bonds, formerly covering various parts of the properties now consolidated, which are assumed by the B. & M. Then come $41,073,000 of the old B. & M. bonds, and after them the new issue of $19,879,000 held by the Government. In addition, five of the former leased lines had bond issues which have been taken over by the Boston & Maine, totaling $33,877,000. The total bonded debt is therefore $103,167,000, with fixed charges of $4,430,090. In addition to this may be figured the $3,237,000 of bonds of sub-leased lines, which have now become leased lines, and $13,523,940 of their stocks, as well as $4,898,149 of the securities of controlled companies.

The total of the first preferred stocks, of series A to E, is $38,817,900, with dividend requirements as stated above. The present second preferred amounts to $3,149,800, carrying 4% dividend for five

TABLE I—B. & M., "BEFORE AND AFTER"

	Before Reorganization Amount.	Before Reorganization Charges.	After Reorganization Amount.	After Reorganization Charges.
Funded debt	$106,404,000	$4,734,170	$106,404,000	$4,558,110
Leased line stocks............	52,939,900	3,307,507	13,523,940	757,703
Bonds and stocks of controlled companies	4,898,149	148,235	4,898,149	148,235
Total with fixed charges......	$164,242,049	$8,189,912	$124,826,089	$5,464,048
First preferred stock.........	....	....	38,817,900	*2,035,780
Preferred stock	3,149,800	188,988	3,149,800	*125,992
Common stock	39,505,390	....	39,505,390	....
Total	$206,897,239	$8,378,900	$206,299,179	$7,625,820

* At reduced rates stipulated for five-year period, 1919 to 1923, inclusive.

years and after that 6%. The difference is to be noted that the first preferred stock is all in the hands of former stockholders of the then leased lines, while the second preferred is held by direct stockholders of B. & M.

The requirement that the dividend must be paid on the second preferred when earned obviously implies that the dividend will be paid on the first preferred when earned, the latter being senior to the former. In practice, it will be found that any earnings which are sufficient to permit of earnings of the one will permit of payments on the other, as the junior issue is considerably smaller than the senior, and its dividend requirements are $125,992 to the $2,035,780 of the first preferred.

The common stock of B. & M. amounts to $39,505,179, which has not paid a dividend since 1913. Assuming that hire of equipment will amount to $3,000,000 annually, according to a recent authoritative estimate, the total of charges to be met before dividends can be resumed on the common stock is $10,625,820, which was exceeded in 1916 and 1917, but in no year before that time since 1910.

Earnings and Dividends

It must be said that a study of the past record of the B. & M. system has little value as an indication of future probabilities, as it is undeniable that a substantial rate increase will have to be granted this system to enable it to live. Since January 1 the road has been enjoying a 25% rate increase which had previously been approved by the I. C. C., except at some points where competition from lines passing through Montreal has been encountered. It may be said in passing that much opposition to this increase has been shown, and that they will probably be contested.

Another influence working against the future of the company is the increasing competition of motor trucks in New England territory, favored by the density of population, the shortness of the average haul, and the "good roads" movement, which has had many friends in New England. The higher rates go on railroad traffic, the more potent are the arguments of motor-truck transportation solicitors, while there is an extra inducement for manufacturers to move away to locations where freight rates will not be so high. It has been estimated that a 40% increase will be necessary to put the B. & M. on its feet again, an increase which would undoubtedly operate to drive some traffic away.

It may be said, generally, that the Boston & Maine is one of the oldest roads in the country, with a dividend record that was unbroken from 1842 to 1913, preferred dividends being maintained at 6% during all of that time and suspended since, except for a $2.67 payment on the second preferred last year, following the reorganization. From 1910 to 1915 its income showed great fluctuations as measured by amount earned per share of common, though actual figures varied but slightly, because of the great preponderance of

fixed charges. In 1916, the banner railroad year, its total income jumped from $9,983,584 to $15,059,293, decreasing to $13,585,106 in 1917, and on operating figures slumped heavily to $5,770,754 in 1918, though the standard return amounted to $9,618,771 annually, and for last year the road earned some $4,700,000 on operations alone, exclusive of other income, or well below the standard return. It is obvious that with such earnings the present reorganization could not be maintained, as the actual operating income is not sufficient to cover bond interest.

In this connection it is interesting to consider the financing that Boston & Maine will have to do in the next four years. By 1923 a total of $16,492,000 of notes and bonds, both originally issued by B. & M. and assumed in the reorganization, will become due, about half of it in 1920. In addition there are the $17,606,000 of the 5% bonds, due to the Government on July 1, 1920, which the Government has agreed to extend at 6%.

In view of the consistently poor working capital position of the road, this maturing debt will present grave problems to the company, though some assistance may come from the final passage of the pending railroad act. For a number of years past the road has had an excess of current liabilities over current assets, being kept going by large outstanding amounts of loans and bills payable, usually some 60 to 70% of the total current liabilities.

The I. C. C. Valuation

Valuation figures for the Boston & Maine system, including the newly absorbed lines and lines having underlying leases, have been given out by the I. C. C. at $231,775,778 for the cost of reproduction as of June 30, 1914, and with allowances for depreciation as $178,365,894. To the latter figure should be added betterments and additions since 1914, and lands to a value of $47,147,995, which would make the total value at least $278,923,773.

These figures are interesting from two viewpoints. In the first place they show that the system as a whole is under—rather than over—capitalized, as the capital issues of the entire system are about $211,800,000. The equity behind the common stock of B. & M., after deductions for senior obligations and the securities of leased companies, figures out about $167 a share, or some five times the market value.

In the second place, should the I. C. C. receive a mandate from Congress requiring it to fix rates so that the B. & M. can earn 6% on its investment, the earnings would work out at about $16,800,000, to which should be added some $2,000,000 of other income. This figure should be taken as a maximum rather than an absolute prediction, because for one thing Congress has no power to review I. C. C. rates, and besides for reasons sketched above the road might not be able to accept higher rates if it were permitted to, as it might mean sending business to Montreal lines, or to motor trucks, or out of the district entirely. Earnings of this amount would net about 22% on the common, compared with an average of some 1.5% actually earned on the common in the past ten years.

Conclusions

Boston & Maine's bonds could not well be rated as better than a business man's investment, considering the difficulties that the company will be up against in the next few years. However, their interest appears fairly safe, and they have the great advantage of having the rentals and leases which formerly preceded their interest now come behind them in the form of preferred dividends. Their position, in the long run, has been improved by the reorganization. At current prices their average yield is about 7½%.

Boston & Maine's first preferred is presumably not of very wide distribution or active market interest, and the various classes appear to sell proportionately alike, yielding from 8.0 to 8.5%. In spite of their cumulative feature, and even though the dividend will be increased after January 1, 1924, they must be rated as semi-speculative because of the great uncertainties which surround the whole railroad situation.

The second preferred is a very small issue, and is on practically the same footing (except for assets) as an income bond, because the dividends on it must be paid when earned. It should be considered in the same light as the first preferred, as it will be able to pay whenever there is sufficient to pay on the first preferred. At a present yield of 10% its hazardous quality is plainly reflected in the market.

The common stock is now selling at 30, whereas before 1906 it ordinarily sold from 170 to 200 and over. It undoubtedly has possibilities, but they are surrounded by so many complications and uncertainties that the issue will hardly attract the average investor. In the writer's opinion the element of hazard is considerably smaller in Pere Marquette common, which has the additional advantage of selling around 25.

Consolidated Gas Earnings

THE recent decision of Justice Greenbaum in the suit of Kings County Lighting to invalidate the 80 cent gas law was looked upon by many as unfavorable with regard to the outcome of a similar suit begun in the Federal District Court by the Consolidated Gas Company in June, 1919.

The two cases are by no means analogous: Kings County Lighting has never operated under the 80 cent law since the law of 1906 did not affect it, and in rendering his opinion, Justice Greenbaum said he had acted "without prejudice, and that the company could renew litigation at any time after giving the 80c. rate a trial operation."

The Consolidated has been selling gas at 80c. for over 14 years and is now seeking relief from the courts by proving that the law is confiscatory and that the Public Service Commission has no jurisdiction against a higher rate. For not only does the present rate fail to yield a fair return on the company's investment, but it does not even defray the increased cost of labor, materials and supplies. In view of the foregoing, the results of the past year are far from encouraging as is shown in the condensed statements of earnings presented herewith with comparisons for the preceding years.

Decline of Earnings

From the table we note a very pronounced decrease in the company's operating revenues for the past two years. The very marked decline for 1918 may be ascribed chiefly to certain war restrictions prohibiting the burning of fuel or the use of power derived from fuel, for any except a few specified essential purposes. In addition, the company was obliged to meet the substantial increase in practically all the materials and supplies, required in the production and distribution of gas and electricity. The same was true of labor, the cost of which has also increased very considerably.

If the company therefore, were to stand on its own feet as it were, depending on its own income, it would be in a very pitiable condition. The poor showing of the last annual reports caused by the constant depreciation of the company's earnings from its gas business, would not even be sufficient to cover fixed charges. The net income from other sources, the Consolidated's ten subsidiary gas and electric companies was fairly well maintained, so that the total net income was somewhat in excess of the fixed charge requirements, although the balance reported was not equal to the amount of dividends paid, which is also seen from the total profit and loss surplus at the end of 1919, viz. $15.66 per share against $18.52 in 1918.

The annual earnings per share of the $100,000,000 outstanding common stock, of $4.11 after all charges did not, therefore, cause a discontinuance of the 7% dividends and there is every reason to believe that they will be continued during 1920, especially since business of the company's subsidiaries, chiefly from the sale of electricity, is progressing very favorably.

The Outlook Favorable

Consolidated Gas, selling around 90, is below its asset value, which is considerably increased by the company's large equities in the surpluses of its several controlled and affiliated companies. But as long as the price of gas and other essentials is not adjusted to meet the increased cost of production, and to obtain an adequate return on the company's investment, the asset value behind the stock does not mean much, particularly since there is no prospect of any improvement in conditions affecting the high cost of labor and materials.

A favorable decision in the pending suit to have the gas price advanced ought to bring about a considerable rise in the stock, thus enabling holders of the recently issued $25,000,000 5-year secured 7% convertible bonds maturing February, 1925, to exchange with profits the latter (which are available in $500 and $1,000 denominations) for stock at par on or after February 1, 1922.

But in the absence of such a favorable decision there seems to be no special reason why the stock should sell materially higher at present.—Vol. 25, page 242.

The Future of Three Shipping Stocks

Submarine Boat, U. S. Steamship and U. S. Transport Attracting Interest—Their Conversion to Peace Basis Being Accomplished

NEARLY 90% of this country's foreign trade was carried in American bottoms in 1800. Gradually from that time on the huge asset of maritime supremacy lost its significance in the nation's eyes, and by 1910 the foreign cargoes carried by our own ships had dwindled to the insignificant figure of 9% of the total.

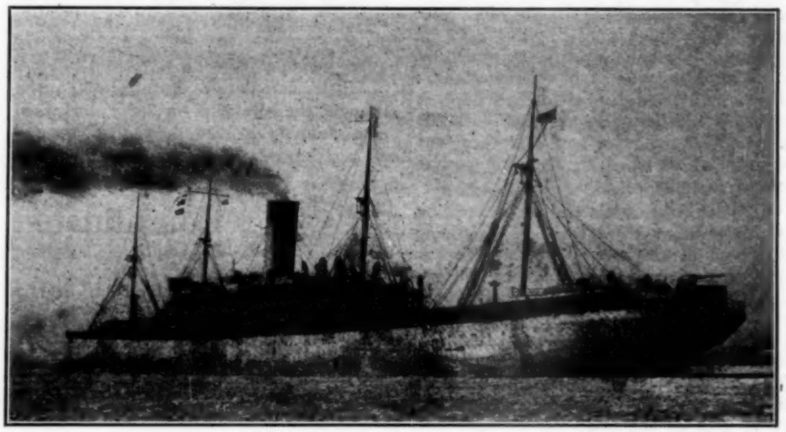
Then came the war, and with it a call for ships that even our most reactionary lawmakers could not resist. Almost overnight, the Government reversed its attitude of obstinate conservatism toward American shipyards and builders. The policy of throttling construction and encouraging foreign competition was discarded like an old, worn-out coat. Uncle Sam in his shirt-sleeves with the biggest problem in ship construction before him a nation has ever faced, undertook to reinstate Miss Columbia in her rightful heritage of maritime supremacy; and Uncle Sam, true to form, put the job through. By 1918 he was building more boats than any other nation in the world. Early in 1919 enough vessels had been launched to carry over 26% of the country's foreign trade, and for the year 1919 the United States sent 4,075,385 gross tons down the ways—the world's record for the period and nearly 60% of the world's production.

This magnificent achievement, perhaps the biggest industrial feat of the United States, was accomplished with a smoothness and dispatch which, in the light of other governmental undertakings, was nothing short of amazing. There has been criticism of some minor features of the building program; charges of wastefulness, for example, on the part of the authorities have been made. But it would be heartily preposterous to expect any enterprise of such gigantic proportions to be carried out without a few errors and missteps. Altogether, the work of the United States Shipping Board and the private companies under the Board's jurisdiction during the past five years of Herculean labor has been of a character commanding the complete respect and admiration of the world.

Private Companies Caught Up in the Tide

The number of industrial companies rescued from innocuous desuetude by the war is legion. Harking back to those first few months of 1914, when the clicks of the stock-ticker were few and far between and office-boys were to be had almost for the asking, one is tempted to claim that, but for the war, the entire industrial system of the United States would have died of dry rot. Perhaps some other cataclysm would have taken place and caused the re-birth; but lacking that other cataclysm, the war was the master-worker. And in the very forefront of reborn concerns were the shipbuilding companies of the country.

Wall Street's reaction to this revival in shipbuilding was very acute. It saw stocks such as International Mercantile Marine and Cramp Shipbuilding skyrocket from a few dollars a share to levels well up in the hundreds. It had a veritable feast of combinations, million-dollar orders, gigantic stock-pools and so on. The sky was the limit in those days, and not a few shipping stocks did their level best to reach it.



BUILT IN U. S. A.

The Minnesota, the largest steel freighter ever built in America, was constructed at the Groton, Conn., yards for the late James J. Hill

In addition to revivifying old established companies, the war demand for ship-tonnage also caused the formation of many new combinations. Yards that had lain idle for years were snapped up and jammed into corporate structures of almost any character; types of marine construction that the world thought it had discarded for good, were summoned back to life, painted and caulked and sent out as part of a "fleet."

Two of the biggest combines owing their formation to the exigencies of war, were the Submarine Boat Corporation and the U. S. Steamship Co. Both of them have had remarkable stock-market careers—the former in particular. Today, out on the New York Curb, they constitute two of the best little mystery stocks in existence.

The Submarine Boat Corporation

The career of Submarine Boat stock since it appeared on the Curb has been as disappointing to holders as the career of its predecessor—the Electric Boat Corporation, had been brilliant. Electric Boat's rise from around $12 a share to close to $600, accomplished in a very few months, probably made well over a dozen New York millionaires; while Submarine Boat—the 10-for-1 Electric Boat stock, in a decline from its initial and highest level of 57½ to recent quotations of around $13, has probably made quite as many paupers.

What is the answer? Well, one answer won't do; it takes at least three. Submarine Boat, following its introduction to Curb trading, was very widely distributed; thousands of shares of what amounted to $590-Electric Boat stock, went into the hands of weak holders; the "distribution," together with reports of interior dissension, encouraged professional attacks on the stock; and now, anywhere's near $20 a share, Submarine Boat has a bad name. This is Reason No. 1.

Reason No. 2 is a trifle more involved. To explain it fully would require access to the company's books—a privilege which the writer is modest enough to admit he does not enjoy. Briefly, it involves war orders handled by the company for certain governments—Russia, for example—which were put through on a credit basis, and on which the company has since been unable to collect, at least to the extent originally expected. Early in 1918 it was announced that the company had been forced to "write-off" 6,871,141 rubles to debit of profit and loss during 1917, and that it still carried 8,580,000 rubles in its balance sheet of current assets. The amounts on deposit in Russian banks, or owing to the company, were set at a total of 11,900,000 rubles. Furthermore, it was stated that the U. S. Government and foreign governments owed the company in the neighborhood of $4,000,000 which, with royalties of more than $700,000, were still unpaid.

The third reason for Submarine Boat's hapless market-career is a purely psychological one. It was, at the start, a war-bride in every sense of the word. Its shares were boomed on the argument of the importance of the submarine. With the signing of the armistice, many people hastily concluded that "Submarine" Boat's career was over; and since that time it has been next to impossible to attract

any sizeable market following to the stock. The fact that Submarine Boat is today one of our biggest builders of cargo boats is lost sight of in the contemplation of its now unlucky name. Wall Street is officially through with war orders and, more than ever since the last market break, it does not want to be reminded of them.

Submarine Boat Corporation a Peace-Ship Builder

As a matter of fact, aside from its activities in strictly war vessels, the Submarine Boat Corporation is one of the largest builders of peace-time ships in the country today. Its aggressive management has gone after cargo business on a huge scale and their success has already done much to lift the corporation out of the slough into which its unfortunate war experiences plunged it.

The facilities for ship construction now at the disposal of the Submarine Boat Corporation include several subsidiaries of the old Electric Boat Co., among them the Holland Torpedo Boat Co., of N. Y., and the New London Ship and Engine company. In addition to these properties, the corporation has further extended its holdings to include a 60-acre tract at Newark Bay.

The Newark Bay yards were originally acquired by the Submarine Boat Corporation in conjunction with the Government for the purpose of handling an order for 150 steel cargo vessels of 5,000 tons deadweight each—an order said to have involved in all more than $145,000,000. Under the plan of joint-ownership, the yards were developed in record time to the point where they provided 28 shipways and employed over 12,000 men. Since the completion of these yards they have been operating exclusively on the Emergency-fleet order, but according to late information there are only ten ships of this order still to be completed so that the Newark capacity should soon be available for other work.

Contemplating a heavy amount of private business, the Submarine Boat Corporation entered into negotiations with the Government last year for the purchase of the Newark yards. The negotiations were long drawn out, but finally resulted in the drawing up of a contract which gives the Submarine Corporation control. Briefly, the agreement provides for the lease of the yard for four years, dating from May, 1919, with the option to purchase the property at the end of the period for a sum said to be $1,125,000.

The New London plant of the corporation has been diverted largely to the construction of submarine boats and chasers. In 1916, 550 chasers were completed by the company for the British Government (done in conjunction with the Standard Motor Construction Co.) and subsequent orders from the United States have kept these yards humming with activity. But for the unfortunate Russian fiasco, it seems likely the New London plant would have more than paid for itself; as it is, earnings there are believed to have been substantial and, having been steadily plowed back into maintenance and equipment, forestall any serious burden on the company's future earning power. Late in 1919 it was announced that the Electric Boat Co. had unfinished orders on hand for submarines aggregating $30,000,000. Practically all of this business, it was stated, was for the U. S. Navy, including contracts for three of the largest submarines in the world.

Henry R. Sutphen, vice-president of the company, who joined the organization early in the war period and has since proven himself an aggressive business getter—recently returned from an extended European tour with contracts for four ships from Italy. These contracts call for construction of ship parts here and their shipment to Italy for assembly. In describing the Italian deal, Mr. Sutphen said that, had it not been for the demoralized exchange situation, and the resulting necessity of exacting cash from foreign buyers, it would have been possible to close many more contracts abroad. This remark may be taken as a side-light on the future possibilities of shipbuilding.

The development of an engine of the Diesel type should also be mentioned as one of the Submarine Boat Corporation's departments of which much is expected. These engines, developing between 1,800 and 2,400 horse power, are expected to enjoy an active demand because of their great strength and endurance as well as because they permit a heavy reduction in fuel costs.

That the management views the outlook for Submarine Boat with considerable optimism is indicated by its recent action in renewing dividend payments on the stock. The rate declared was 50 cents a share semi-annually. Although this $1 a year dividend suffers miserably by comparison with the annual $6 rate, which was inaugurated when the present company was formed, it is still a reflection of conservative optimism on the part of the directing board and should encourage such of the company's stockholders as are still capable of hope.

The company's cash position is believed to be unusually strong, reports persisting that Submarine Boat has $20 a share in cash, or its equivalent, in the treasury for every share outstanding. These reports are believed to be entirely reliable, in which case the company may be rated as well-equipped financially to handle new business.

With a resumption of prosperous activity in the shipping industry, Submarine Boat stock should sell considerably higher than the present level. Established on the Stock Exchange, as it is likely to be, and with the company's actual financial position given more trustworthy publicity than it has received in the past, Submarine Boat might quite possibly be found to be worth $30 a share on its cash and quick asset value alone and even more on prospects.

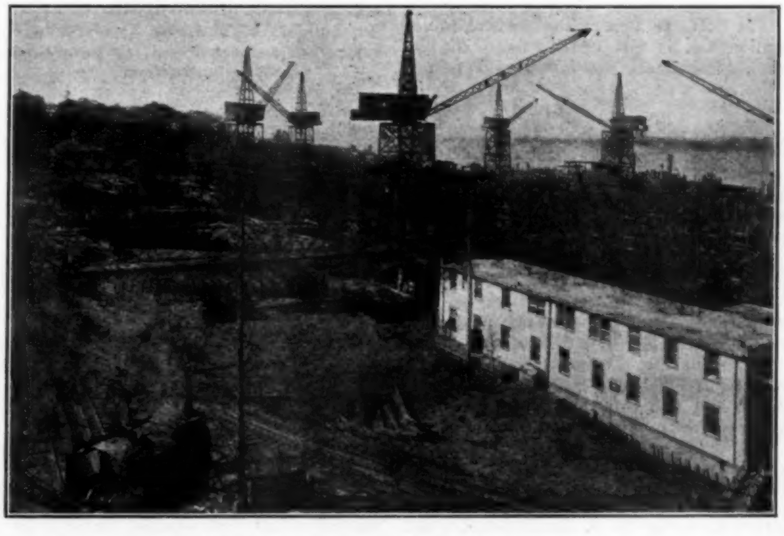
United States Steamship Co.

The United States Steamship Co., representing one of the most remarkable "come-backs" registered by any individual known to the industrial world, offers almost as many difficulties to any thorough analysis as does Submarine Boat. Not that there has been too little information about the company; on the contrary, there has been entirely too much. The difficulty lies in separating the wheat from the chaff.

It is safe to say, however, that in view of the small hopes held out for the company at the time of its organization, U. S. Steamship has proven a remarkable success. From a small concern, operating a few holiday boats, it has grown to the point where it controls through stock ownership no less than 14 steamship companies; and, besides these operating facilities, it has large construction capacity.

The U. S. Steamship Co. was formed late in 1915, just at the time when the craze for shipping stocks in this country was at its height. The capitalization of the company consists of an authorized 2,500,000 shares of par value $10.

Following its organization, the policy



THE REASON WE CAN BUILD SHIPS

The war has put many big plants upon a well-organized footing and this picture shows six shipways at the $7,500,000 Groton plant of the U. S. Steamship Co.

of the management was to acquire such new properties as would be of value in enlarging its scope and potentialities. Gradually, a majority of the capital stock of the Hudson Navigation Co. was acquired; the wooden shipyards of the Robert Palmer Shipbuilding Co. were taken in, and a subsidiary, known as the Groton Iron Works was organized. Later, the Virginia Shipbuilding Corporation was added to the company's chain of holdings, thus completing the organization of the present concern.

According to a recent statement published by U. S. Steamship, the company since its organization has accumulated assets aggregating nearly $20,000,000.

The Hudson Navigation Co., representing the first big asset of the U. S. Steamship combine, is made up of several steamship and transportation lines some of which have been in operation for more than sixty years. It operates at present three lines of steamers, including the People's Line, between Albany and New York, the Night Express Line, between New York, Albany and Troy, and the Murray line for heavy freight. The People's line, it is interesting to note, has been in continuous operation since 1855.

Property holdings of the Hudson Navigating Co. include Pier No. 32, New York, one of the largest piers on the shore; also docks, buildings and real estate in New York City, Albany and Troy. Dock rights in the city of Albany as well as office and freight buildings are under lease for a term of sixty years. The company states that upwards of $15,000,000 has been expended by the city of Albany and by rail and navigation companies for improvements to the Hudson waterfront.

The fleet operated by the Hudson Navigation Co. is one of the finest of its kind. It includes the following vessels:

Vessel	Capacity	Cost
C. W. Morse...........	2,200	$1,100,000
Berkshire	2,500	1,250,000
Rensselaer	2,500	750,000
Trojan		750,000
Adirondack	3,000	800,000
Fenimore	700	250,000

The "Adirondack" and "Fenimore" have been in the Government service for some time past. The former, it is stated, will have to be refitted for its regular work, while the "Fenimore," an oak-hull steamer 268-feet long is in excellent condition and will probably be immediately available when returned to the company.

Groton Iron Works and Virginia Plant

The Groton Iron Works was constructed by the U. S. Steamship Co. in line with its policy of increasing facilities whenever circumstances made that desirable. Impetus to the erection of these yards was given by an order from Washington for construction of six steel cargo steamers.

Everything was going swimmingly at these yards, so far as was known, when the announcement was suddenly made that U. S. Steamship had asked for the appointment of a receiver for the Groton Works. For a time the action was completely mystifying to Wall Street. Later, however, it developed that the receivership had been resorted to as a defensive measure in connection with uncollected charges due the company from the U. S. Government.

Following negotiations, arrangements have been made between the Groton Works and the Shipping Board, providing for the purchase by the company of the 12 steel freighters built for the Government. The consideration is said to have been approximately $24,000,000. Cash expenditures made by the company on the Groton Works is said to have amounted in all to about $7,500,000. The plant is complete and modern in every respect and, when operating full, employs about 3,500 men.

The Virginia Shipbuilding Co. is located at Alexandria, Virginia, on the Potomac River. Equipment here is adequate to handle a large amount of business, and facilities are capable of handling construction of steel ships up to 20,000 tons deadweight. The company values the entire plant at around $5,000,000. One of the largest departments of the plant is a fabricating yard which, with its equipment, cost the company approximately $1,000,000.

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U. S. SUBMARINES

The builders of undersea boats for war service are well equipped for peace-time ship construction.

U. S. Transport

The foregoing represents a very brief resume of the manufacturing and operating facilities of the U. S. Steamship Co. It remains for us to mention the U. S. Transport Co. which was recently organized by the same interests and whose future is linked up with that of the original company.

U. S. Transport, capitalized at $25,000,000, was formed to acquire all the vessels built or to be built by the U. S. Steamship Co. This concern had 8 ships in operation late in 1919 and expected to have 2 more in use early this year.

It has been estimated by interests claiming to be conservative that, at prevailing rates, each one of U. S. Transport's vessels will be able to make yearly profits of $700,000. Assuming that U. S. Transport puts not more than 10 vessels into service during the next year, good earnings for the stock seem highly probable.

Although the temptation is to overrate the possibilities of the shipbuilding industry, it does not seem at all exaggerated to say that, providing only that ocean rates hold up, the U. S. Steamship Co. is in a position to enjoy great prosperity. Its facilities, roughly summarized here, are certainly very complete, and the vessels under control of U. S. Steamship and U. S. Transport, may be counted upon to produce good earnings for a lengthy period.

On the subject of the future, the following extract from a recent company statement may be of interest:

"The United States Steamship Company and its subsidiaries represent practically every phase of shipping. Its shipyards are ideally located, thoroughly equipped with modern machinery, and operated by experienced and efficient organizations. Ships already built are now operating successfully and to the entire satisfaction of the owners.

"The Company is now operating ships for its own account profitably in both inland and foreign waters.

"The United States Steamship Company, because of its favorable position in world industry, which is going forward by leaps and bounds, views the future confident of an increasingly stronger position commercially and financially."

The Future of American Shipping

The immediate future of all private shipbuilding and ship operating concerns will depend to a great extent upon the action taken by the Shipping Board in disposing of the merchant fleet built up during the war. That this fleet will be delivered into private hands is certified by the recent passage of the Greene Bill in the House by a vote of 240 to 8. What the details of the delivery will be, however, is still somewhat uncertain.

According to authorities, a total of between 8,000,000 and 9,000,000 deadweight tons will have to be absorbed by private capital. At first thought, this seems a very large total, and one is to be excused for some slight misgivings as to the success of the operation.

However, assurance comes from sources whom there is every reason to regard as reliable that, given reasonable latitude in the period of payment, as well as terms consistent with the probable future of the industry, the private operators of the United States will be fully able to take over the Government ships without harming their present strong position.

Sub. Boat Corp.—vol. 25, page 179.

Why We Need Wall Street

The principal reason why we need a Wall Street is to bring together buyers and sellers, borrowers and lenders, from all over the world. Capital flows through Wall Street into varied industries just as the heart distributes the blood to the different parts of the body. It is like the big central exchange of a telephone system. From it the wires run to all the people who want to do business in the things with which Wall Street deals. The man who has a few shares of stock to sell or a few thousand dollars to loan is indirectly put in touch with the whole world for a market.

It is a splendid piece of machinery, probably the most valuable to the country of any mechanism or organization the mind of man has devised.

Hendee Manufacturing Has a Good Year

An Official States That Dividends on the Common Are in Sight

THIS company, the victim of adverse circumstances before the war, has had to travel a very rough and rugged road to success and at last its shining goal appears in sight. Hendee Manufacturing Company occupies the unique position of having been both hurt and helped by the World War. Before the war the company had to contend with automobile companies who were able to market their product at a price which compared favorably with that of the motorcycle. Beside this handicap the company had to brave the perils which all companies operating in a new field encounter, that of making their product popular and of standing up under financial distress which nearly always follows upon the organization of a new company.

When the United States entered the war the company was manufacturing in the neighborhood of 20,000 motorcycles yearly, but it soon found that its sales were falling off at an alarming rate bcause of the large amount of young men who were called to the colors. The earnings of the company reflected this alarming condition, since they fell to about one-fifth of what they formerly had been. Stockholders became alarmed, since receivership seemed imminent.

Then the turning point was reached. The United States entered the war. Orders began to pour in from the War Department for motorcycles and side-cars. The company found it necessary to increase its working force in order to fill its war orders promptly. The lean days had passed and the company was on the road to success.

The Hendee Manufacturing Company is an old established one, dating back to the year 1901. Since that time it has been reorganized several times, the present company dating from 1913. The company has a large factory at Springfield, Mass., said to have a capacity of 75,000 machines annually. The company's product, the "Indian" motorcycle is known the world over. The company has branches in London, Toronto, Dublin, and Melbourne, Australia. In the latter part of 1916 the company sold its plant at East Springfield, Mass., to the Wire Wheel Company of America and received in payment preferred and common shares of stock of this company. These shares the company distributed to its own stockholders in exchange for its own preferred stock. It did this by announcing that it would buy out of every five shares held by a stockholder, one share for $100, provided that the stockholder in turn would buy one share of the preferred stock of the Wire Wheel Company together with one share of the common at $100. This gave the company the advantage of decreasing its outstanding preferred stock and also provided a source of revenue, which the company sadly needed.

The company has an authorized capital of $10,000,000 common stock and $2,500,000 preferred stock, of which is outstanding $10,000,000 common and $1,510,000 preferred stock. Par of both classes of stock is $100.

HENDEE'S EARNINGS

	Net Earnings	Earned on the Common
1916	$208,980	$ .50
1917	539,755	3.80
1918	732,915	4.84
1919	934,718	9.34

The company has been liberal in the matter of dividends on the preferred stock. It has paid 7% annually since 1914 in spite of the poor earnings in 1916. It does not, however, pay dividends on the common stock, although an official of the company has stated that the time is not distant when these will be paid, since the preferred issue is being continually retired and more of the company's net income will be available for dividends or the common.

Hendee's Balance Sheet, as of Aug. 31.

Assets:	1918	1919	*Liabilities:*	1918	1919
Cash	$171,126	$1,031,823	Preferred	$1,845,700	$1,510,000
Liberty Bonds .	80,950	295,556	Common	10,000,000	10,000,000
Cana. War Bds.	———	10.000	Due to Creditors ..	791.689	393,242
			Adv. from Cust.	62,565	165,058
Notes & Accts. Rec.	1,142,967	1,154,625	Accrd. Payroll	54,056	45,295
			Notes Payable.	180,950	———
Due from Branches ...	109.380	185,184	Res. Local Taxes	*51,450	57,482
Inventories ...	3,083,085	2,319,272	Federal Taxes.	———	444,203
Properties	8,556,944	7,610,334	Sinking Fund..	102,682	———
Investments ...	589,866	584,866			
Total	$13,734,320	$13,191,670	Total	$13,734,320	$13,191,670

*Does not include Federal Taxes which are estimated at $120,000.

In accordance with its plan to build up a substantial organization, the company has plowed back into working capital the entire amount earned on the common stock for the years 1918 and 1919. An examination of the accompanying financial statements will show that this has helped the company in no small manner.

Orders on hand seem to be larger than they have ever been before. The factory is working at top speed continually and it has been estimated by the company that it will require from four to five months to fill all orders now on hand. Part of these orders are from the War Department, which in its effort to build up the Motor Transport Corps, has ordered thousands of motorcycles and side-cars. In fact, these orders from the War Department have been directly responsible for the good showing that the company made in 1918 and 1919.

The necessity of having ready cash in order to cope with ever-changing business conditions made it necessary for the company to carry a much larger amount of cash on hand in 1919 than it did in 1918, which a perusal of the accompanying balance sheet will show. Formerly the company made it a point to invest in outside securities all funds not actually needed for the immediate operation of the company. It will also be noted that the properties of the company were valued at almost a million dollars less in 1919 than in 1918. This is a result of the sale by the company of its East Springfield plant.

The preferred stock of the company, on which a quotation is unobtainable, is very inactive at the present time, since holders of the same seem disinclined to part with the preferred stock of a company which has taken such good care of its holders and which seems to have such excellent possibilities.

The common had a big rise last year. It was quoted at 18 in February, 1919, rose to 64 in October, and is now quoted in the neighborhood of 40. The price of 64 seemed high, but at the current quotation its long range possibilities do not seem to be fully discounted.

It is expected that the common stock will shortly be traded in on the New York Stock Exchange, since all preparations for listing, with the exception of a few minor details have been completed.

"No Tips Accepted Here"

It is the one purpose of legitimate brokerage firms, investment houses, news agencies and market advisers to retain their followers. To do this they must advise in such a manner that they are right more often than they are wrong. The gambler refuses to accept the experience and knowledge of good advisers, whose sole business is to study the security markets from every viewpoint. He prefers the excitement of following his superstitions and tips. The result is inevitable failure.

Securities Not Recommended and Why

Suggestions from Members of Our Staff Upon Issues They Would Prefer to Avoid Under Present Conditions

RUSSIAN GOVERNMENT 5½s and 6½s. We received many inquiries about these bonds, from intending buyers as well as holders, and only wish that our prophetic instincts were strong enough to enable us to guess how unfortunate Russia will clamber out of the morass into which she has sunk.

Everyone knows, or should know, that as a country Russia has vast undeveloped resources, and under peaceful conditions with good government can give a good account of herself. When will such a state of things take place? If changes of government come about, which are extremely likely, will each successive new government recognize the obligations of its predecessor? Assuming that all conditions work in favor of bondholders when will these bonds be on an interest basis, and when and how will the capital be funded or refunded? Finally, at around 30 or 35 per bond, cannot the American investor find something less befogged with so many embarrassing uncertainties?

It is obvious from the simple facts that the future is entirely speculative, hence the bonds are a speculation as to capital and interest.

A gradual straightening out of European difficulties should favorably affect prices of Russian bonds in a speculative way; they might "sympathize" in a market congenial to international conditions. Again, they might not. If the Soviet regime (or Bolsheviki) could get Allied recognition and establish itself in a permanent way, then "recognize" Czar Nicholas' obligations, and prevent further inflation (and I don't see how it can be done) there is some hope of a resemblance between parity and these bonds.

Again I say—who knows?—D.

Surety Tire and Rubber.—We have been receiving many inquiries on all kinds of new rubber, tire and other propositions, and believe that new companies have all, without exception, "a hard row to hoe." It is becoming the fashion for some of them to hurl invectives at the old-timers like U. S. Rubber, Kelly-Springfield, Ajax and the others, and when they do this it is time for the investor to look out. The old-established companies have found their fixed place in American industry by sawing their own wood and minding their own business, and it's my impression that they are here to stay. One should scrutinize the new tire and rubber companies very carefully. Surety Tire does not appeal to me, the principal reason being the scarcity of facts on which a sound opinion may be based.—D.

Perfection Tire & Rubber.—Although this stock is down considerably from former levels it does not look attractive to me. The prices around 5¾ for the new stock compares with a high of about 1½ for the old. The latter quotation is equivalent to 15 for the new. Those who have followed the doings of this company and its stock since it began its big rise from 33 cents a share must have marveled at the absence of materialization of production, earnings, and the outcome of its two contracts with Keystone and the Nemours Corporation. Much was made of the Keystone contract; Keystone "sympathized" with the news and went up. The Keystone contract seems to have been abandoned without satisfactory explanation to stockholders. Will Nemours drop out suddenly, also without warning? The trouble with this company was an original handicap of overcapitalization: $15,000,000 of $1 shares. The raising of the par value did not squeeze out the apparent "water" since the earnings are still making a mediocre showing in spite of colorful predictions last year. The company has blamed Wall Street and the rubber companies for the failure of its stock to become buoyant. Has it ever thought of blaming its management for boosting its capitalization out of all proportion to immediate or near-prospective earning power?

At this stage, it seems an issue out of which most money will be made by—leaving it alone.—D.

Consolidated Motor Corporation.—My reasons for warning a carelessly investing public to let this alone are based upon a pamphlet issued by the company a few weeks ago. Although it contains twenty-four pages, only half a page discusses the proposed capitalization and one full page the car which the company intends to manufacture. I do not see any mention of officers or directors, but do read a somewhat elaborate account of the career of the corporation's engineer, who has gained fame as an aviator since 1911. More than 15% of the document contains photographs of a factory at Branford, Connecticut, which I am informed is being used by another company. The balance of the book is made up of stories about automobile people who have grown wealthy from small beginnings, like Henry Ford and others, who "have made their first investment with care."

To the man who knows something about investments, this pamphlet will fail to appeal, and I suggest that those who do not know follow the example of the gentlemen mentioned who "made their first investment with care."—W.

Submarine Boat vs. Minneapolis & St. Louis Common.—Minneapolis & St. Louis, selling around 13, could, in my opinion, be exchanged for Submarine Boat to advantage. This railroad property was reorganized in 1916 by the stockholders paying a liberal assessment, but the bonded capitalization was cut down only about 15%. The road operates in a competitive territory, and has not apparently succeeded very well in forging ahead. The operating and traffic statistics have been quite unfavorable, and the maintenance figures are nothing to go wild over. In regard to earnings on the common, Minneapolis & St. Louis has never made a good showing. Out of the ten years ended 1919, nothing at all was earned in six years, and the maximum ever earned was 2.91%, in 1916. Since the road has been under Federal operation, it has not only failed to earn anything on the common, but has not even covered fixed charges, and in recent months it has been operating at a deficit. Of course any legislation that will eventually be passed increasing rates and benefiting the roads in other ways, will also help this road, but I doubt if this issue is the one by means of which to secure the greatest advantage from such benefits. It is quite possible that the stock will advance a few points along with the railroad stocks as a group, but I believe that holders would do better to switch to an issue like Submarine Boat, in which there is something going on and which has prospects over the next few years.

Submarine Boat appears to be in a very interesting position. The issue has just been placed on a dividend basis of $1 annually, and the company is stated to have a cash surplus alone equal to about $20 for each share of stock. Orders are also stated to be large, and the company is reported to have enough money to see them through successfully. Moreover, the need for ships over the next few years will be universal, and under such conditions I would not be surprised to see Submarine Boat sell higher.—S.

De Beers Consolidated Mines.—This newcomer has already slumped about 10 points, from 48 to about 38, and although apparently selling low, I believe a policy of vigilance toward foreign introductions of mining stocks will pay. De Beers is an old established company, owning the greatest diamond mines in the world and no fault can be found with the class of men behind it. In fact, the high-grade character of the enterprise and its sponsors are its principal virtues. But we do not find good faith alone always at the back of safety of principal, nor do good intentions yield dividends. I am actuated by these principles:

Buy the coppers when the red metal is going "begging."

Buy oil stocks when oil is being "given away."

Sell diamonds when everyone is buying.

Diamonds have never been higher in the history of mankind, so far as I can trace. World-wide inflation has led to extravagance and diamonds are now worn by those who could not formerly afford a string of glass beads, and they don't mind what they pay. They pay high because they know no better, not being very familiar with diamonds. This craze cannot last and the signs are very positive just now that deflation is setting in.

Those who are proficient in judging price movements will find De Beers stock on the curb an interesting study. I believe, however, that investment wise, the British public have taken most of the cream off De Beers in the high dividends paid in the past. Earnings and dividends of the future are likely to be lower rather than higher, as production costs will not decline anywhere near the same ratio as a probable slump in diamonds.

Kennecott copper at 28 looks better to me than De Beers at 38.—D.

Trade Tendencies

As Seen By Our Trade Observer

Railroads

Conference Reaches Agreement

CURRENT railroad legislation took a long step forward when the members of the conference committee considering the Esch and Cummins bills, finally came to an agreement. The compromise bill sponsored by them retains most of the features of the Esch bill, but the most outstanding provision of the Cummins measure, and the one that has come in for the severest criticism, is retained.

That is the clause providing for the limitation of railroad earnings, whereby the Government will get half the excess over 6%, of which ½% is to be used for non-productive improvements. This clause has been denounced as unconstitutional confiscation of property, and, there is little doubt, if incorporated in the final act, will be brought into court.

On the other hand, the provisions penalizing railroad strikes, which excited the bitter hostility of labor groups, have been cut out. It has also been decided not to have a National Board of Transportation, but instead to increase greatly the powers of the Interstate Commerce Commission, whose membership is increased at the same time from nine to eleven.

The Commission is to establish, for rate-making purposes, regional groups of roads, and is to compute the mandatory return upon them. In computing the earnings of a carrier the Commission is not to consider anything but its strictly transportation income, leaving aside income from investments, rentals, and the like.

The clause of the Esch bill which gave the Commission power to suspend intrastate rates, in such cases where they affected interstate traffic, has been eliminated, as it is desired by the conference measure to retain state control of intrastate rates. The Illinois Public Utilities Commission has issued an order repealing the rates established by the Railroad Administration as soon as the roads are returned to private ownership. According to Senator Cummins' interpretation of the new bill, such orders are to be accepted, barring cases where they can be shown to affect definitely interstate traffic; in which case each matter that comes up will have to be decided by the Commission on its own merits.

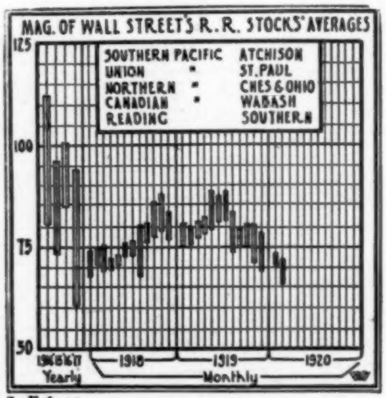
The Government guaranty of earnings will be kept up for six months after the return of the railroads. The plans for compulsory consolidation and Federal incorporation of the roads which were striking features of the original Cummins bill have been abandoned.

Needs of the Railroads

It is practically certain that higher rates will be asked for by the railroads as soon as they are returned to private hands, especially by roads in New England and the South, which have been among the greatest sufferers. Preliminary estimates made recently of what the railroads need to put them on a stable financial basis show that much of the talk that was heard last year as to the poor condition of the roads was mere calamity-howling. One authority estimates that an increase averaging 18% in the general level of rates would put the roads back into a strong financial position.

The equipment needs of the railroads are undoubtedly large, and preliminary approximations in this field indicate figures so large as to stagger the imagination. The car shortage, however, is undoubted, and the figures of new equipment and rails bought are decidedly below similar figures for past years. A considerable amount of railroad buying, therefore, is to be expected, which will necessitate the fortification of railroad credit in anticipation of its capital requirements.

THE average investor has neither the time nor the opportunity to follow developments in the various industries, although such developments at times are of vital importance in the consideration of the long range prospects for securities. This department will summarize and comment upon the tendencies in the more important trades as expressed in the authoritative trade publications and by recognized leaders in the various industries. As the general tendency in a given trade is but one of the many factors affecting the price of securities representing that industry, the reader should not regard these trade tendencies alone as the basis for investment commitments, but merely as one of many factors to be considered before arriving at a conclusion.



To Feb. 10.

Railway Equipment

Car Shortage Acute

SINCE the settlement of the two big strikes in the coal and steel industries, the car shortage, which had been commented upon occasionally before, reached the proportions of an actual obstacle to high production. Director-General Hines of the Railroad Administration has stated that the time remaining for Federal operation was so short that it would not be advisable in his opinion to purchase more rolling stock.

Mr. Hines' statement at the same time, that every effort would be made to have the existing equipment go as far as it could, literally and figuratively, was intended to be reassuring, but complaints of car shortage have come from steel mills, grain elevators, coal mines, and many manufacturing plants. The shortage is especially marked in refrigerator, stock and flat cars.

All locomotives ordered by the Railroad Administration have been delivered, and only a few of the 100,000 freight cars ordered remain undelivered. The Administration is now returning the engines it operates to the various roads to which they belong, taking them out of the pool originally formed for the purpose of unified Governmental operation.

A great demand is expected to come from the roads for new equipment once they are returned to private ownership, and some of this demand is materializing already. Inquiries for several thousand locomotives are now in the hands of equipment manufacturers, and some actual orders for freight cars are said to have been placed. The activity in rails has been more pronounced and started earlier, but production difficulties in the rail mills may hinder deliveries seriously. The War Department is trying to get around this difficulty by commandeering 120,000 tons of steel rails for the Railroad Administration on the basis of prices fixed in March, 1919.

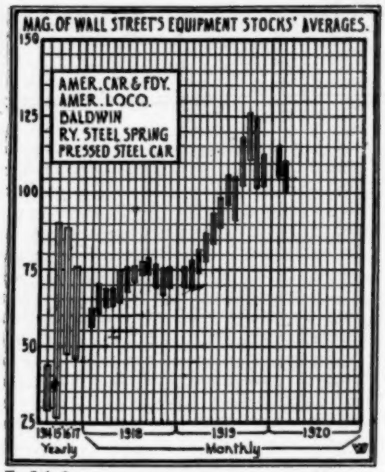
Foreign Demand

The foreign demand for railroad equipment is continuing at a high rate, as it comes largely from South America and the Far East. In these countries the exchange handicap which is interfering with export trade to Europe is not encountered, as the United States is buying more from them than it is selling. Many of these countries are now more prosperous than they have ever been, particularly countries like India and China, and farseeing statesmen realize that now is the time to build up one of the essentials of a modern industrial structure, a good transportation system.

New problems are being introduced meanwhile by the growing tendency to substitute oil for coal as motive power, and what is more serious to equipment makers, to electrify the railroads, particularly on Western roads. These developments require new methods of construction, and may result in the scrapping of some of the existing production facilities of the equipment manufacturers. Un-

certainty as to the type of product that will be most in demand is also in evidence.

That the deferred railroad domestic demand for equipment is large, and in all



To Feb. 9.

probability will flood the equipment companies with orders if the roads are fairly treated by Congress, is the consensus of opinion among students of the situation.

Steel

Steel Shortage Imminent?

THE feature of the steel industry for the last few weeks has been the intensification of the shortage indications existing before. The market has reached the point where it is practically inactive, because producers are steadily refusing to commit themselves for deliveries after June, and are almost entirely booked up for the first half.

At the same time large premiums are being offered and in some cases accepted for spot delivery, or prompt shipment. The leading interest is accepting a few orders on this basis, but is not charging premiums, still adhering to the prices named in the schedule of March, 1919. It is being said, however, that this attitude will change shortly. Already on some lines, like merchant bars or billets, the spread between the old prices and those quoted by leading independents is about 90%, with premiums increasing as difficulties of shipment become more pronounced.

The handicaps of the industry are summarized by one man as "car shortage, fuel shortage and labor inefficiency." Transportation difficulties in the case of fuel are so great that some coke plants have stacks of coke piled up as high as the plant itself, for want of freight cars to take the fuel away.

The pig iron market has become congested with orders, and buying pressure has broken through the reluctance of many iron producers, to the extent of compelling them to take on orders for second half delivery. Prices have been rising steadily, with heavy premiums for spot delivery. It is being said that orders are booked at considerably above the current rate of production, iron makers trusting that present difficulties will prove to be only temporary.

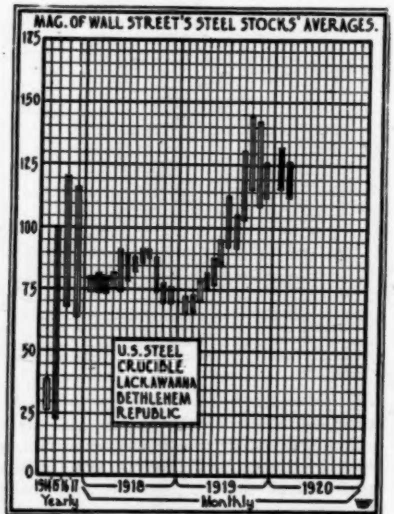
The recent bad weather has had a depressing effect on both the iron and the coke makers, as it has delayed transportation, which was already in bad shape. Labor conditions are said to be unpromising, resulting in poor production.

Plates Advancing

Considerable activity has been shown of late in structural steel and plates, which have stiffened in price and are said to be in short supply. Makers of tanks especially are creating an energetic demand for plates, material for prompt shipment being in especially short supply. Wire and nail products are showing an especially strong demand, and are somewhat more available for prompt delivery.

The recent commandeering of close to 120,000 tons of steel for rails by the War Department acting on behalf of the Railroad Administration, is believed to be particularly hard on the market in its present congested state. Rail mills have not been as badly crowded with business as most other lines of the industry, of course, but their requirements will subtract that much from the available supply of merchant steel, which is already extremely short.

With the new railroad demand coming in soon, the continuance of the large volume of unsatisfied demand already existing, and structural steel buyers becom-



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ing insistent, the outlook is for possible further increases in price and continued congestion of orders.

Cotton

Conflicting Tendencies

FLUCTUATIONS in the cotton market have been marked but of irregular tendency, with a general downward trend. Contrary to what was expected, high money rates did not do much to lower the price. On the other hand, the disheartening drop in foreign exchange was a powerful bearish argument, reinforced by declining orders from Liverpool. Shipments have even been reported of cotton coming back on resales from England to this country, this operation being made profitable by the decline in sterling since then. While this movement may not bring many bales of cotton on the market in itself, it will undoubtedly prevent much buying based on hypothetical English delivery.

It is expected that some of the cotton which has been held in warehouses pending exports or in expectation of higher prices will soon be liquidated, tending to bring prices down still further. The campaign to reduce prices and bring about a general deflation is also expected to bear fruit soon.

The large stocks on hand in England are said to be sufficient for her needs for four or five months to come. It is possible that these stocks may be called upon to satisfy the increasing needs of the textile industries of France and Belgium, which are gradually recovering from their depression.

On the other hand, bullish arguments are still to be found. The acreage devoted to next year's cotton crop is said to be small, because of the shortage of labor in the cotton districts, and correspondingly this year's cotton crop should command good prices when it is found that next year's cannot be relied upon to fill deficiencies. The strength of cotton in Southern spot markets, and the financial strength of the interests which are said to be holding back cotton in Southern warehouses, are also emphasized as factors which will operate against any notable decline in the price of cotton.

Prospects for a speedy passage of the peace treaty have been played up as likely to result in some sort of financing and credit arrangement which will permit Germany to enter the market on a larger scale as a buyer of American cotton.

Price Outlook

It would be extremely hazardous, therefore, in view of the conflicting elements noted above, to attempt to predict what the price movements for the next few weeks would be. In general, however, it seems as if cotton would be hit among the earliest by any wide-spread tendency toward deflation, which would seem to have been initiated by the high interest rates, difficulty of exporting due to the unfavorable exchange situation, and diminution of speculative enthusiasm.

Building Materials

Halt to Price Advances?

THE possibility that the recent belated upward move of building materials as a class may be halted was indicated by the action of men prominent in the cement industry in stating the position that further price advances would do more harm than good. They based their stand on the attitude of the leading interest in the steel industry, which has refused to advance prices for its products used in construction work beyond the "fair price schedule" of March, 1919.

Considerable new production is coming into the field, partly stimulated by the high prices now prevailing and the prospects of continued activity and partly the restoration of long-unused producing fa-

cilities which had been forced to discontinue operations by the war. This is especially the case in the cement and brick industries.

In the plate-glass field, production is assuming record-breaking figures, not only to satisfy domestic demand, but to fill the needs of Canada, which is in somewhat the same position as ours as far as building construction goes. Formerly, Canada depended on Great Britain and Belgium for its glass, but at the present time nearly 99% of its glass imports come from this country. The United States has become the chief export producer of plate glass in the world.

Increased production should tend to stabilize prices, in spite of the recent upward tendency. The War Finance Corporation's statement that we were six years behind in home building, with about $1,750,000,000 still to be spent on new construction, gives some idea of the extent of the work still to be done in this field, and of the urgency of the demand.

Coal

High Rate of Production

THE most encouraging feature of the coal situation is the readiness with which it has overcome the effects of the strike. Production for the calendar year is now better than that for any corresponding period for the last three years, according to figures presented by the U. S. Geological Survey. The showing of bituminous coal continues to be better than that of anthracite in this respect, although no shortage is anticipated at the mines of either variety.

The rapidity with which coal production has "come back" has been a surprise to many, considering the extent to which the effects of the big strike were felt in the steel industry after hostilities had been declared off. The increase has been cumulative since the beginning of the year, practically, with the exception of one week in the early part of January.

To some extent, the industry is complaining of car shortage, but this has been a chronic trouble for some time, and continues in spite of energetic efforts by the Railroad Administration to get every locomotive and car out of the repair shops as speedily as possible and to get the maximum use out of every one in service. It looks like a plain case of not enough railroad facilities to go around.

Export Outlook

Coal export trade has been hard hit by the recent sudden slump in foreign exchange. The exchange handicap is now so serious that few manufacturers in Europe can afford to pay current prices for American coal, although they need it badly. Of course in this case the main difficulty is in the expense of transportation. For instance, in the shipment of coal to Italy, the ship freight paid on coal is about four times the cost of the coal f.o.b. any Atlantic port. Present rates for coal shipment are not likely to go down considerably soon as they have been fixed by the conditions of a highly competitive freight market.

The one thing that would enable coal exporters to quote cheaper rates for delivery in Europe would be increased European production, which would split the shipping charges more equally between freight going out of this country and freight coming in. As it is, the outgoing freight has to pay all the expense, because the shipping man knows that he will find it next to impossible to get a cargo for the return voyage.

A vicious circle is thus seen to be operating, whereby coal is dear to the European because his production of exportable goods is small, while one reason for the low production of Europe today is the high price of coal, of which, as observed before, a considerable part is due to the high freight rates. In addition, the exchange rate on most European countries is such as to make the production cost of any commodity which uses coal in its manufacture, almost prohibitive, when the commodity has to enter into competition with similar goods made by nations more fortunately situated.

Because of the checking of the European demand and the high rate of production, it seems unlikely that any further price advances will take place in the coal markets, no matter what the final decision of the commission now investigating the industry may be. Lower prices may not come soon, but are rendered inherently more probable by the underlying market factors.

Sugar

Supply Increasing

FOLLOWING the practical removal of restrictions on the sugar industry, importation of raws from Cuba has been active. The January outturn of the centrals grinding the 1920 crop, has been record-breaking, and in spite of heavy sales to Europe this country has managed to get its share. Refineries are now being kept busy handling the new raws, and large stocks are being accumulated.

The statistical position of Cuban sugar is therefore becoming rather weak, as is shown by the quietness in the market, with a tendency on the part of sellers to make price concessions in order to do business. Large cargoes coming in steadily add to the easiness of raw sugar prices.

When restrictions were first lifted, it was freely predicted that prices would go up sharply. As a matter of fact, with the uncovering of large new sources of supply, the price to the consumer is below the authorized prices paid for some kinds of sugar during the shortage, with the trend downward.

The ability of the Cuban sugar producers to adjust themselves to the new demand had not been reckoned on, apparently, but it now seems that the unutilized production of Cuba, stimulated by the prospect of higher prices, is considerable, and were not demand still running abnormally high, overproduction might be feared.

The stimulated demand from the United States, especially for sugar in its manufactured forms, resulting partly from luxury buying as in the case of candies, and partly from "ersatz" drinks now that prohibition has come upon us, is increasing our consumption by some 20%, according to some estimates.

At the same time Europe, once the great competitor of Cuba in the production of sugar, is not yet back in the running, as some of the sugar-producing districts, such as those of Central Europe and Russia, are still highly unsettled. From two to five years will be required, it is believed, before Europe can be considered normal in respect to its sugar requirements. In the meantime, practically every European country that has not a large exportable surplus of sugar, at least potentially, has a large sugar deficit, which is being made up for the present by importation from Cuba. The Javan and other Pacific crops are being used by the Far East, which has had almost a failure of the sugar crop, in addition to becoming a heavier consumer of sugar and sugar products than ever before because of the influx of Western habits.

Price Outlook

In the distribution of sugar in this country, too, sugar men say that a difference has come about since the war which is to be permanent. They assert that in the old days, sugar was often sold at a loss, as the retail dealer was expected by his customer to carry sugar as a convenience and not for a profit. It was practically sold as a sideline to the coffee and tea trade, which carried the burden of the sugar business for the retailer. At the same time the consumer was very sensitive about the price of his sugar, so that the retailer would often prefer to take a loss made necessary by the conditions of the sugar market, rather than lose the good-will of his customers.

Since the war, however, the importance of sugar has been strikingly emphasized to the general public, and at the same time the shortage has compelled it to accept higher prices, and realize the fluctuating character of the present sugar market. Whereas formerly fluctuations of a quarter of a cent per pound of raw sugar were fiercely fought, now changes of two or three cents at a time are taken with equanimity.

While sugar may decline in the near future, in view of the weakness of the primary markets, it is unlikely that it will ever get back to the old basis.

Oil

Attempts to Increase Production

NOW that the oil industry is known to be in a position where the market will absorb all it can turn out, the major interest is in increasing productivity.

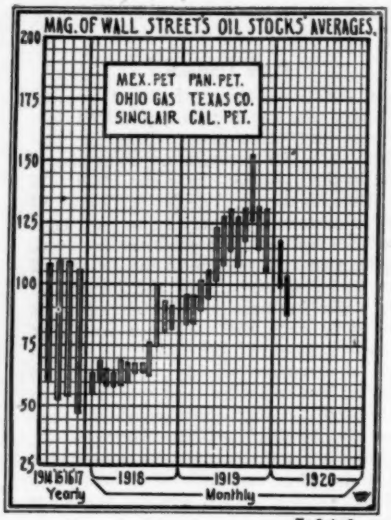
That the efforts directed to this end have been successful in some measure, is shown by the January figure for new production, which is a record for the United States. At this rate the decline in the production of old wells is much more than counterbalanced, and total annual production may be expected to increase.

The wells of north Louisiana show the largest increase, Kansas with Oklahoma reporting gains, while north Texas reports a considerable loss. The diminution of output from the Eastern states seems to be going on steadily, though slowly. From Mexico the encouraging news has come that Carranza has permitted drilling to go on pending the passage of a new petroleum law, under the debated article of the Mexican constitution,

which provides that sub-soil rights are inherently the property of the state. As Mexico is rapidly becoming one of the greatest world producers, this action should increase the available supply of refinable oil.

The oil land leasing bill is still being worked out in Congress, differences between the House and Senate bills being smoothed out. The maximum royalties and their distribution under the terms of the bill are the main points still to be settled.

A prominent oil producer has come out with a statement to the effect that large potential oil production in the United States is going to waste, because it is



To Feb. 9.

in wells which individually do not yield enough to be attractive to the "wildcatter." In addition it is known that much waste is being caused by the present system of competitive drilling, especially in newly-discovered wells, where each driller is anxious to bring in his well before his neighbors so as to offset them, thus quickly draining the pool, often before proper tank or pipe-line facilities are available for taking care of the oil when drilled.

Price Advances

The market for oil products has shown consistent and increasing strength, particularly since the coal strike. The price of Pennsylvania crude, which is more or less of a standard for all crude oil prices, has risen another 25 cents since the first of the year, and some refined products have gone up with it.

Scarcity is particularly noticeable in lubricating and cylinder oils, where production is utterly inadequate. Fuel oil, too, is feeling the pressure of a growing demand, which is likely to be permanent, in view of the elaborate changes necessary to accommodate fuel-burning mechanism to its use instead of coal.

The expansion of the motor industry, both in the older lines such as passenger cars and motor trucks, and in such developments as the tractor and the aeroplane, provides another source of demand for petroleum products which producers feel will be difficult to meet. The tendency is to seek new sources of supply in foreign countries, particularly South America, Persia, Russia and Southeastern Europe, and to develop further the known fields of Mexico. The demand for oil, both on the present basis and on the basis of probable developments in the near future in oil-consuming machinery, seems to presage a good showing for the industry for some time to come.

Tobacco

Record Cigarette Production

IN the tobacco industry the cigarette has definitely overtaken the cigar, and production efforts are now being concentrated on this form of "smoke." A great export demand has grown up, particularly in Europe, though it is difficult to fill export orders because of the intensity of domestic demand.

Prices have been advanced recently for the cigarette types of raw tobacco which will probably be reflected in the finished product before long. The crops have not been as successful as in 1918, on the whole, although the acreage devoted to tobacco was larger. The cigar types of tobacco have been selling comparatively much lower than the cigarette, smoking, chewing or "export" types, to some extent because of increased production, but largely because the demand has been weak. For the whole tobacco crop of the United States, the decrease in production from the 1918 figures was 3.4%, and the average price increase 39.2%.

Leading tobacco concerns are doing an unusually large business, their main interest at the present time being centered in production. New facilities have been introduced, and considerable increases of capacity are expected for the coming year. As a whole, the trade is booming, with no apparent check in sight.

In view of possible anti-tobacco legislation, Federal, state or municipal—such as South Carolina's recent bill to prohibit smoking in the dining rooms of hotels, restaurants and other public places, a National Tobacco League of America has been formed, with headquarters at Washington. The possibility of drastic legislation, even extending to national prohibition, is apparently being taken seriously by the industry. At any rate, they have announced that they do not intend to be caught napping, as were the brewing and liquor interests, and will start their counter-attack in advance of hostilities by the other side.

Doherty School for Securities Salesmen

The Doherty School for Securities Salesmen has been established by Henry L. Doherty & Company for the purpose of furnishing to ambitious young men instruction in the fundamental principles of corporation finance, of salesmanship, of public utility operation, and of the various issues underwritten by the firm, consisting of the securities of Cities Service Company and its subsidiaries.

The course consists of twenty discussion periods, five field trips and four written tests, and covers a period of two months. The students meet on alternate mornings from 7:45 A. M. to 8:45 A. M. in an auditorium in the financial district for the discussion periods, and on alternate Saturday afternoons they are taken on field trips to familiarize them with the operation and appraisal from an investor's point of view of public utility properties of the various classes. The hours of instruction are arranged so that each man may be enabled to reach his desk in the financial district promptly at the commencement of business at 9 A. M. and that the instruction may not interfere in any manner with his present employment. No course of instruction is being offered at present in the afternoon or in the evening because it has been found that the conscientious employe is unable to do good work at this time, on account of the fatigue incident to strenuous work during the day, and the school is not interested in employes who do not perform such conscientious strenuous work.

Instruction in the Doherty School for Securities Salesmen is furnished free of charge, and there is no expense of any kind connected with this instruction. A list of seventeen books, which constitutes the required collateral reading of the course, is furnished to each student and arrangements have been made with the New York Public Library whereby there is furnished to each student a reader's card in the library, which enables him to obtain these books for home use without charge. Neither the student nor the organization assumes any obligation in connection with this school. The organization is under no obligation to make an offer of employment to the students, who, by attaining a satisfactory grade in scholarship and in salesmanship, receive the diploma of the school at the end of the course, nor is the graduate of the school under any obligation to accept any offer of employment which may be tendered him by the organization. In no case will an offer of employment with the organization be made to a graduate without the knowledge and consent of his present employer if he is employed by an investment house at present.

Where It Started

Stock brokerage as a business originated in England in the latter part of the seventeenth century, when the East India Company attracted a great deal of public attention. In the United States the business can scarcely be identified before 1790, although there were doubtless many individual cases before that date in which one person acted for another in the purchase or sale of stocks.

Building Your Future Income

Baby Bonds Are Not Necessarily for Babies—They Are Solid Food for the Growing Investor —Why They Are Scarce—Importance of Knowing How to Judge for Yourself

IN a compilation of Baby Bonds dated April, 1917, no more than 158 were listed. The 1920 edition lists 450, showing the rapidly increasing appreciation of the importance of the small investor. Corporations, by issuing their bonds in denominations as low as $100, recognize that co-operation with the little fellow is worth while.

For the benefit of the uninitiated, a Baby Bond means a $100 bond, ranking the same, meaning the same, and issued upon the same terms as its bigger brethren, the $500, $1,000, $5,000 and higher obligations of corporations. Formerly, an investor could not buy anything less than a $1,000 bond, and the small man had no chance to get big interest on his money. He was compelled to put his savings into a bank at 3½ per cent and wait till he had $1,000. By that time, if his luck was out, most bonds would be selling on a 5 per cent basis: better than his former yield but still not a bargain.

THE point that strikes me forcibly about this list of baby bonds—450 of them—is: not more than *fifty* are in the active group, that is, these fifty can be bought and sold readily. The remainder are either difficult to obtain, or have passed out of the market and into strong boxes. This shows how good most Baby Bonds must be.

Why not get a few before the rest disappear?

The investment market has been severely shaken in recent months, and good bonds have gone down with the rest. Unconservative people have lost a lot of their money by speculating: the decline has proved their poison, and killed some of them financially.

Poison is sometimes useful and may benefit in one case where it will kill in another. A decline in the market is an example. Bonds have declined to record low prices. There can be no better props on which to rest the future income structure than Baby Bonds, nor more convenient materials, since the man with $1,000 can buy ten or more. If one prop should *go* (*which it shouldn't*) the building need not fall.

I TOLD a banker to get some Japanese and Chinese bonds. They are selling at ridiculous prices, and give a return that would make Shylock envious. The banker said "I don't like foreign issues . . . too far from home."

I remember telling the same banker to buy U. S. Realty 5s around 45. "I don't like real estate bonds," was the answer. (I suppose they were too *near* home.) U. S. Realty 5s rose to nearly 80 and looked very good to those who did not like real estate about half the price.

It's the old, old story. Trusting to the other fellows' judgment is all very well, but you have got to have your own opinions, and if you intend being an investor, do your investing along investment lines. There was never anything wrong with Realty 5s except opinions, there is nothing wrong with Japanese or Chinese bonds except opinions.

Baby Bonds are selling at slaughter prices because some of the little fellows are letting the bigger fellows do their thinking for them. Look over the last issue of the MAGAZINE (page 448) and do your own thinking.

Carnegie on Finance and Business Ethics

"HOW can I do the greatest good for the greatest number?" seems to have been the dominant thought of both Frick and Carnegie in the disposal of their multi-millions. They found a solution of their problem by providing an unlimited supply of learning: Carnegie through books and Frick through pictures.

Of the two, I believe that posterity will record that Andrew Carnegie, of Scottish birth and American training, combined the best instincts of "canniness" and good business, the products of breed and environment, in scattering libraries throughout the world, housing them in stone and marble palaces, and providing for their upkeep.

No one can argue against the value of books, and although in practice they will fill no empty stomachs, they teach how to avoid getting the stomach empty.

David Lloyd George, the Welsh leader of the policies of the British Empire, idol of the working classes and master of the aristocrats, was a poor colliery worker once. He came across a worn copy of "The Wealth of Nations," by Adam Smith—a standard work on political economy.

He not only read and re-read it: it is said he mastered it and laid the foundation for his subsequently acquired mastery of every principle showing the exact relationship of *himself* to *money*—labor to capital, and capital to labor.

When he became a stump orator, an "agitator" among his fellow-workers, he knew what he was talking about, and they knew that he knew; and they put him at their head to lead them.

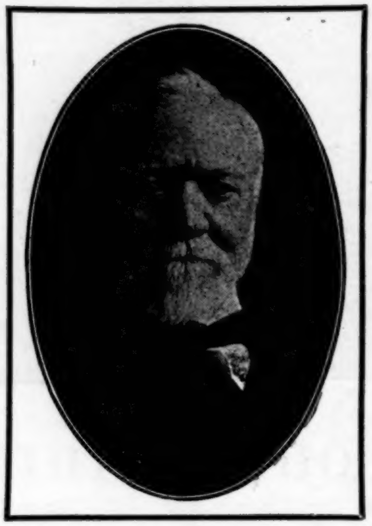
And he has led them—and some others—ever since. He has not only led other Welshmen but also Englishmen, Irishmen and Scotchmen; also Frenchmen, Italian; also some Turks, Bulgars and Germans. We now know where he led them to.

But it was Adam Smith and his book that should get the credit. And who knows where Carnegie and his millions of books will lead humanity in the future?

* * *

THE laird of Skibo had a formula for investing money. It is so cannily Scottish, so wary and typical of "Andy" (as his associates called him) that it can safely be handed down as another bequest from the great iron and steel master.

"I authorize the trust to make new investments of the moneys coming into its hands, in such securities as are sanctioned by the laws of the State of New York, as proper investments for savings banks; or in bonds secured by first mortgages on railroads in the United States upon the common stock of which dividends shall have been regularly paid for at least two successive years immediately preceding the time of such investment, or in any other class of bonds of any trunk railroad company in the United States in high credit, which has paid regular dividends on



ANDREW CARNEGIE

The late founder and head of the great American steel industry started work as a bobbin-boy in a cotton mill

all its stock for at least five years immediately preceding such investment; or in the preferred stock of such company; or in the bonds or preferred stock of any industrial corporation in the United States which shall not have failed to pay dividends on all its stock for at least five years immediately prior to such investment, or in bonds secured by first mortgage on improved real estate in the United States worth in the opinion of competent appraisers a clear fifty percentum more than the amount of the mortgage; or in the certificates of established bond and mortgage companies, secured by deposits of specific bonds and mortgages.

When this is carefully studied, the reader will say: "He certainly played safe!"

If Carnegie with his multi-millions could not afford to play otherwise than *safe,* it is difficult to see any justification for the average investor with his few thousands doing otherwise.

* * *

ABOUT six years ago Carnegie went on record with a set of rules for manufacturers. They are:

No sharp bargains. Do more, not less, than promised.

If disputes arise always give the other party the benefit of the doubt.

Subject all products to more rigid tests than purchaser requires. A reputation for producing the best is a sure foundation upon which to build.

Should honest capable contractors need extension of payments from accident or unusual stringency be lenient, generous and help them, thus making them friends.

The mental attitude of a man who advocates the above principles is that of a man who is "on the level"; there is no proof anywhere that Carnegie did not follow his own beliefs as outlined in these rules.

* * *

BORN in humble circumstances this American "captain of Industry" emigrated to the country he loved so well when but ten years of age, to settle in Allegheny City, Pennsylvania. But a raw Scotch boy he started to work as a bobbin-boy in a cotton factory. Not a very golden opportunity this modest step upon the bottom rung of the ladder, but even as a youth "Andy" Carnegie played safe by doing what he had to do promptly and most thoroughly well. From bobbin-boy he climbed a safe step or two up the ladder to become a telegraph operator, and while handling the key his capacity for bigger things was discovered by T. A. Scott, of the Pennsylvania Railroad, who gave him a chance as a private secretary. When Scott became vice-president in 1859, Carnegie was made superintendent of the western division of the line, and did much to improve the service. When the Civil War opened he accompanied Scott, then assistant secretary of war, to the front. But the source of the great fortune he subsequently built up in reality began when he introduced sleeping-cars for railways and in the purchase of Storey Farm on Oil Creek, where a big profit was realized from the oil wells. However, this achievement was but a preliminary to a greater achievement in developing the iron and steel industries at Pittsburg. Forseeing the almost unlimited demand for iron and steel, he started the Keystone Bridge Works, built the Edgar Thomson steel-rail mill, bought out the rival Homestead steel works, and by 1888 had under his control an extensive plant served by tributary coal and iron fields, a railroad over 400 miles long and a line of lake steamships. When they were incorporated in the United States Steel Corporation Andrew Carnegie retired, bought out at approximately five hundred million.

Points Income-Builders Should Know

Brief Explanations of Terms Frequently Met in Financial and Investment Literature

Blue Sky Laws

THIS is the name given to those laws which have been enacted by the various States, in order to curb the sale of fraudulent stock by unscrupulous stock brokers. These laws cannot, of course, control unwise speculations by persons who have put money into companies whose properties or prospects are poor. They do, however, protect the investor from wild-cat promotions. Each company about to start in business, must answer certain questions put to them in the form of a questionnaire, as to the value of their property, the amount of stock to be floated, the persons who are to manage the business, etc.

The first state to enact such laws was the State of Kansas. Much opposition was at first directed against these laws by certain persons, who claimed the State was exceeding its authority in enacting and enforcing such laws. However, the United States Supreme Court handed down a decision, stating that it was within the rights of the individual states to pass and enforce these laws. Practically all the states now have such laws, although it is to be regretted that certain states are rather lax in the enforcement of them.

In connection with these laws the State of New York has passed a law known as the "False Prospectus" laws. These laws prohibit the publishing of circulars or prospectus which tend to mislead or exaggerate the value or prospects of a concern. In this way, persons who are apt to be misled or influenced into buying stocks because of highly colored or worded circulars, are protected.

Limited Partnerships

This form of business partnership is said to have originated in France. At present it is very popular in Great Britain, Canada, Australia, France and Germany. Few partnerships are on such a basis in the United States. The method employed when entering such a partnership, is to make at least one person liable for the debts and actions of the company. This person is also to manage the business. Special partners may exist, but they have no voice in the management of the business.

In case the company should meet with financial difficulties, the special partners may only be held liable to the extent of their contribution to the original capital of the concern. In the case of a limited company having stock outstanding in the hands of the public, the stockholders cannot be obliged to assume, as a personal liability, any part of the debt of the company, which is larger than the amount or value of their investment.

This form of partnership has its advantages and disadvantages. Among the advantages it may be stated that limitation of authority tends to reduce friction in the operation of the concern, since only one man is authorized to issue orders. However, in the case of a limited partnership, the special partners may only draw out profits in proportion to the sum invested. For example: in a partnership of three, if one of the three has only invested one-quarter of the original capital, that partner may draw only one-quarter of the profits.

Dividends on Foreign Securities

Dividends on foreign securities are paid in several ways. Certain companies pay their dividends in the currency of the country in which they are situated. The receiver of such a dividend, however, is not compelled immediately to convert the dividend into United States currency, and should the rate of exchange at the time not favor this action, he may wait until the exchange situation improves and thus benefit.

Another method used by foreign companies, is to issue what might be called a "demand" on a certain accredited representative in this country who upon receipt of the "demand" pays the dividend in the currency of this country. Still a third method is used which consists of receiving the dividend directly from the representative of the company, without the formality of presenting a coupon.

Call Money Loans

This is a form of a promise to pay, the borrower having the right to pay the loan at any time. Likewise the lender has the right to demand payment at any time. This form of loan is usually taken advantage of by bankers and brokers desiring money to further their operations in the market. The loans are obtained from what is known as the "loan crowd," which is made up of some of the biggest bankers in the Street. They fix the rate of interest at which loans may be obtained, but this fluctuates according to the demand and supply. Should the demand for loans be very great and the amount of money to be used for the purpose small, the rate of interest will rise.

The law of New York provides that persons lending money in the state at more than 6% are guilty of usury, but it makes a special provision for lenders of call money. In other words, persons wishing to borrow money on call must pay the interest demanded by lenders.

It is necessary for all persons borrowing money on call to place collateral with the lender. This is in the form of stocks or bonds whose value is assured.

The question naturally enters the reader's mind, "Why can a private individual not lend money at call rates and thus receive more interest on his money than the banks allow him?" He may do this if he can. In the first place, such loans are all made through banks connected with the "loan crowd," and it would be poor policy for them to negotiate the loaning of private capital, since it would detract from the amount of business done by them in this field. Then, again, a private individual with a large amount of money, desiring to loan in the form of call money, would find it difficult to keep up with the ever-changing conditions of the money market, and thus lose sight of his primary object—that of obtaining the largest rate of return for his money. However, large capitalists sometimes make arrangements to loan on call.

In times of panic in the Street, call money rates have been known to rise above 17% a day. Should the borrower of money on call not be able to meet the demand when called, his collateral is sold to meet the loan.

New York Exchange

If often happens that a person residing in the country receives a bill, reading, "Kindly remit in New York funds, or exchange." The meaning of this will be readily seen when it is explained that New York being the financial center of the United States, many banks in the interior of the country have connections in New York. Therefore, bills which are paid by a check on a bank having connections in New York, or on a New York bank itself, are easily cashed without trouble. New York funds are generally acceptable anywhere.

How Can You Borrow on Your Bonds?

If you find yourself in dire need of funds, it is not necessary to sell your bonds. You can borrow on them until such a time as your financial condition is improved. Any bank will help you, and many firms make it a business of loaning money on these bonds. Do not borrow unless the lender gives you at least 90 per cent. of the market value of your bond. If your bond is valued at 97 and the face value is $100, you should get about $87.50 as a loan. Under no conditions should you be charged more than 6 per cent. for the amount borrowed, and the interest from the bond put up as collateral belongs to you when it is due.

Bonds and Other Bonds

The *mania* for issuing different kinds of bonds is as widespread as the tulip mania once was in Holland. The exact legal status of different kinds of bonds can only be defined by the lawyers. The laws of the various states affect the same classification in different ways. As the eminent writer, Edward Carroll, Jr., says: "Many bonds partake of the nature of several classes—thus a First Consolidated Sinking Fund, a General Consolidated. A General or an Income Bond, where no second mortgage exists on a property, may be practically on the same footing as a second mortgage on another property.

"Various kinds of bonds may be Convertible Bonds—they may be converted into stock at a certain time, at a certain price and under certain conditions. Some may be good and some bad, depending on the condition of the corporation and the terms."

More About Plans for a Young Capitalist

The Question of Taking Time by the Forelock—Judicious Selection Essential—Importance of Considering Prices as Well as Yields

I WAS rather interested in your "Plans for a Young Capitalist" on page 212 of your December 27 issue and I am writing because I fear I have missed some of the points. I saved my first thousand a number of years ago and have been fortunate enough to add a few thousand since, but it has not been my custom to take "time by the forelock and discount the year ahead."

I appreciated that I had the opportunity and in case of cheap money it might be possible to make a profit, but *why borrow money from the bank at* 6% to invest in preferred stocks such as you mention in your article? These latter are only paying approximately 6% on the investment,—consequently, the investor is even as far as this phase of the situation is concerned.

By discounting the future there is more or less of a risk involved as to whether or not one is able to meet one's debts as the money becomes due and unless there is some return financially for this risk why discount the future?

Many bonds looked on the bargain counter a year ago. If they were on the bargain counter then they are an ever so much greater bargain to-day and, in consequence, the fellow who discounted the year ahead on January 1, 1919, may actually find that he has a loss as of January 1, 1920.

Discounting the year ahead therefore does not look so attractive unless I have missed the point of your article. I would be glad to have you set me right, but as I see it it is only profitable in an upward market and unprofitable in a declining market. If the market stood absolutely still there would neither be profit or loss.

H. F. S.

The author of "Plans for a Young Capitalist" assumes that if Financial Independence is worth while, the work of watching and studying that goes with its attainment is also worth while. It has been emphasized repeatedly that there is no "royal road" to independence with the possible exception that for those who are continually on the alert their chances are very much greater.

We stand emphatically on the principle laid down that opportunities of some kind are nearly always with us. It may be bonds one month, preferred stocks the next, or well seasoned dividend payers on other occasions: it requires study to pick them, and when selected *right* the future may be discounted in a conservative way.

To illustrate: you say you saved a number of years ago, and from your letter we judge you have not noticed a preferred stock that would yield more than 6% to give you a profit had you borrowed from the bank. Let's take the case of Bethlehem Steel 8% preferred.

This is a very desirable issue, and in 1917 sold as low as 93 to yield 8.6%. Suppose you did not buy "at the bottom" and bought at 94 and held for keeps. You would have received an income of 8.5% all this time, and several opportunities of selling around 115. The high yield then prevailing (which you would still secure if you held the stock) was an opportune invitation to go into the matter.

At that time many other preferred stocks were selling low, for example, Pierce-Arrow at 88-90, also an 8% issue to yield about 9%. This stock has recently sold around 110. There never was anything wrong with it, and there were many similar opportunities in preferred stocks which you have missed.

They sold low because it was at the tail-end of a "bear cycle" and there were certain earmarks visible to the student that would have impelled a purchase for investment: and one would have been justified in borrowing conservatively "to discount the future."

Of course risk is not entirely eliminated: everything is a risk, even where high grade bonds are purchased.

An "investment lifetime" assumes a period of twenty to thirty years, a number of bull markets and just as many bear markets. In the latter you will always find opportunities. At the present time such issues as Kansas City Southern preferred, Colorado Southern 1st preferred, Southern Railway preferred or Baltimore & Ohio preferred yield far more than 6%. Many bonds yield from 7% to 8%; and this is only one angle of the possibilities in "discounting the year ahead." Price appreciation over a period of one to five years, and sale of securities "at the top" must be taken into account in computing the average yield for the period.

Once the opportunity, or an apparent opportunity seems present, such as an 8% yield in a preferred stock and a twenty point drop from former average levels, then it is time to investigate: and if no great fault can be found the future can be anticipated by buying—even with borrowed money at 6%.

Shakespeare said: "Neither a lender nor a borrower be" but he did not die financially independent, and did not study finance.

Insuring Your Partner

THE more insurance is looked into and studied—whether it be fire, life, marine or accident—the more one is impressed with the ingenuity and resourcefulness of those who have developed the remarkable Institution of Insurance in its many and varied phases.

It matters little from what angle the subject is viewed. The same favorable impression is created and the greater one's admiration is aroused for the great business that does not and never did specialize in profiteering—regardless of time, tide, or season. An influx of business in the 1918-1919 years, record "writing" of insurance to the extent that many companies are actually ceasing to solicit new premiums, has not swelled the heads of the powers-that-be, nor caused higher charges, strikes, scandalous overcharging, waste and excess that is so synonymous with business inflation.

On the contrary the fight goes on unceasingly for still lower charges, a greater paring down of profit; lower cost and less "plus" which has been the trend in the insurance business for the past ten years. This is clearly demonstrated in "Insurance for Assurance" dealt with by the writer in "Financial Independence at Fifty."

This article is not, however, intended to strew bouquets in the path of the insurance solicitor. Rather our aim is to help Income Builders to get the best in investment; to obtain one hundred cents (and possibly more) for each dollar of his expenditure.

Insure Your Partner

Briefly and simply, the method aims to protect partners of a firm or corporation against loss, embarrassment or even the inconvenience that would come in the event of the death of one or more of the members of the firm.

The policy on the deceased partner's life would become payable either to the firm, or any individual member, or the remaining members, for their personal benefit. In the first case it would have the effect of placing a substantial sum of ready money in the hands of the firm for the benefit of all, including the estate of the dead partner, and in the latter instance the members individually would reap the advantage in the same way as another legacy would benefit any individual.

It is all a matter of agreement between the parties to the insurance contract, namely, the partners themselves during their lifetime, and the insurance company. Many elastic forms of contract are available, and the best type, rates, etc., is a matter of shopping and judgment. We feel sure that the representatives of all the companies are competent to give the best advice, and they should be consulted. Final adjudication could be left to the firm's banker, who is nearly always a shrewd individual accustomed to making the best bargain with greatest safety.

The amount, form and term, must also be left to individual choice, but we should say that important businesses whose profits range from $25,000 to $100,000 annually net can well afford to carry from $10,000 to $20,000 on the life of each partner. The premiums necessary to keep the policies in force should, in my judgment, be a charge against the

business, deducted annually from the gross profits. As the policy becomes more valuable through age and near-maturity, the firm's accountant may well consider adding the "surrender-value," or cash value, or the prevailing collateral value, of the policies to assets.

The Two Forms

Two attractive forms of insurance are available. The individual policy is the ordinary kind that we are familiar with, and in this connection the "endowment" form for ten or twenty years is recommended. The cost of carrying such a policy is shown in these tables. In this case, the holder names his partner as beneficiary, either in the policy itself or by indorsement. The document would be deposited in the strong box of the firm, among its other securities. In return for this, the other partner or partners do likewise; in other words, they "pool the risk," and the survivor or survivors win. Such a policy can be created for the personal benefit of the other partner or partners, or for the firm.

The alternative form of insurance is for the firm to take out a "joint policy" which is a single insurance on two or more lives, depending on the number of partners.

The advantage of the individual form is, obviously, that on termination of the partnership, retirement of the insured from the firm, or dissolution of the firm, the insured can continue the insurance for his personal benefit. He can, thereafter, name himself or anyone he pleases as its beneficiary.

Joint policies are usually issued to remain in force during the continuance of the partnership. Even if the partnership should come to an end sooner than expected, the policy would still have a substantial value if in force about five years or over.

The whole life form is not particularly recommended for partnership insurance. It is too "long-winded."

Apart from the obvious advantages of creating a back-log for its cash, loan and collateral value, the money may come in handy at a convenient time; for example, if the partnership should be cramped for working capital or sufficient funds to pay liabilities at the time of death of one of its members.

The "backer" of a firm would be of little use dead. It might be a serious blow and even disastrous for a concern if the "bank-roll" of the firm was called to the Great Beyond unexpectedly. Such things have happened over and over again, and the results were far from assuring in almost every case. This contingency can be controlled by partnership insurance.

Another angle is the important personal value often attached to one of the partners, either because of his ability, his experience, ability to raise money; even his "pull" or influence with the rest of the world. His death could inflict a *coup de grace* on a firm which would—and indeed has been—ruinous.

Many cases are cited where a partnership concern, prosperous and growing during the life of the two energetic partners who founded it, was put "down and out" on the death of the partner who financed it.

The Pipes of Pan

A Lesson in Finance for Income Builders Involving the Law of Averages

A JURY in the court of Federal Judge Landis, Chicago, Ill., recently found S. C. Pandolpho, president of the Pan Motor Co., of St. Cloud, Minn., guilty of using the U. S. mails to defraud.

This interests us, because when the company was first being promoted we answered numerous inquiries in regard to it, and in particular furnished one client with an unfavorable analytical report on it. The client wrote back a highly indignant letter, stating that we had not told him anything he did not know before, and that we had no legitimate basis for an unfavorable opinion. We returned his money on the ground that insufficient *facts* were available on which to base an actual analysis of prospective earnings, but stated that our opinion of the enterprise remained unchanged.

It is probable that this subscriber, if he was influenced by our opinion against buying the stock, saved a good deal of money in addition to getting back the cost of his analytical report.

WE have taken another look over that report at this climax to the Pandolpho promotion, and in writing the present article it is not our intention to kick a man when he is down nor take credit for remarkable foresight. The only wonder to us is, that the subscriber —and all others who were "taken in" by this promotion could not see through the exaggerations and thin promises so evident in the prospectus.

Perhaps by going over the ground briefly; by holding a short *post mortem* on the corpse of the Pan Motor Company, we may be able to place red flags against the earmarks of other promotions, and enable our family of income-builders to do some of their own analyzing in the future.

We commented on the lack of *particulars* and the superabundance of *generalities* in the literature.

The comparison of Pan Motor with "other companies" (like Ford, Reo, etc.) is—as they say on the stage—a wornout gag. If a promoter really has a good thing, there is no need to compare it with others. Let him speak for *himself*.

Capitalization of Pan Motors was $5,000,000 to commence with. This figure struck us as very ambitious for a new enterprise, and aroused our suspicion. The more stock there is, the more to sell.

The company had no production to speak of, but it promised to do things in a big way in the future. One need not be too cynical in demanding to be "shown first" in cases of this kind. We thought it necessary in our report.

It claimed a stockholders' list exceeding 20,000 and with the management active in trying to raise this to 50,000 we adopted an old theory that it is as well to avoid following the crowd. The law of averages was against Pan Motor, and we feared that if the company could not get by with 20,000 stockholders, further water would be injected with every additional share sold.

Local references were liberally given, including excerpts from a small local newspaper which praised the promoter in such exaggerated terms that we felt that Mr. Pandolpho's local influence was warping the better judgment of the good citizens of St. Cloud, Minn. We could not get an outside view, and had to discount the good things the local papers and people were saying about him.

IT was boldly claimed that Pan Motors had the possibilities of another Ford, Hupp or Willys-Overland by comparing the returns of a $100 investment in these companies. As we have never met anyone who was invited to invest $100 in the original Henry Ford Company; as it was misleading to compare the automobile industry of 1909-1910 with that of 1918-1920; as the earlier companies had *nominal* capitalizations in those days (from $100,000 to $500,000), compared with $5,000,000 for Pan Motors—*and as the promoters of Pan Motors well knew this*—we were justified in assuming that the promoters were not altogether fair to prospective investors, to put it mildly.

The founders and directors were not automobile men in the class of Ford, Durant, R. E. Olds and the founders of companies with whom they made comparisons. This looked to us like a handicap from the commencement. Promoters of new companies should "stick to their last"—should make good in the same line, and then try to interest capital. The experience and credentials of every officer of a company seeking public money should be carefully scrutinized; one bad apple can spoil the barrelful.

THE issue was put out as an *investment*. On the face of it, it was nothing of the sort, and this was in itself sufficient to condemn it. A false or semi-false representation, the half-truth; super-optimism to cover generalities; all these and more should be carefully weighed in the mental balance, and if there is any doubt, there is only one place for such prospectuses.

Finally, we indicated fields of investment where little doubt existed, among active securities, listed issues, bonds, preferred stocks, etc., where if the rewards were not quite so rosy as Pan Motors offered unblushingly, there was safety and freedom from the worry that was sure to be the lot of the new investors in half-baked enterprises of such a character.

Judge Landis's court reached the verdict where we only ventured an opinion about two years before.

It was all so easy to foresee.

Bringing a Second Niagara to Market

An Important New Project of the Great Western Power Co.—Hydro-Electric Development in California

By R. D. BRIGHAM

COAL, oil and wood as fuel for industries are singing their swan song on the Pacific Coast. Hydro-electric power is coming into its own.

The water-wheel as a very economical invention operated by power which nature supplied freely, has never gone entirely out of existence, but during the last score of years it has taken a back seat and the steam engine and gas engine have forged ahead. Now the water-wheel in its more advanced form, the hydro-electric power plant, by leaps and bounds is taking its place in the front rank of public favor, because it is the most economical and potent of all operative powers.

If American manufacturers are to compete with European manufacturers, something must be done to increase production and lower the cost of it. The average American workman is paid twice as much as the average European. To offset this high cost, American workmen must produce more than their European neighbors. To bring about this increased production American manufacturers must be supplied with more and cheaper motive power.

The day has passed when America can live for herself only. The war has forced us into international thinking and world wide commerce. Our successful manufacturers must think more and more in terms of world commerce. The day is not far distant when we will be in active competition with the countries of Europe in the sale of manufactured articles throughout the world.

We are thankful that the wage scale and mode of living of the average American workman is much higher than the average European worker. This has resulted in a social and industrial standard in this country which is better in all respects than that prevalent in Europe. With our higher education and ambition, we should be able to produce more and thereby offset the lower standard of wages and living in Europe.

Neglected Water Power

We must use every natural resource at our command, in order to make industry more productive. Due to our isolation and varied natural resources up until now it has not been necessary for us to look around for undeveloped resources which were not readily available.

We have neglected to fully develop the most wonderful natural resource of all. That resource is water power. The development of hydro-electric energy by water power is the only industry that does not destroy anything in its development. The lumber, mining and farming industries are necessary and important to mankind, but nevertheless they take something away from nature.

Hydro-electric power development takes nothing away, destroys nothing. The water that is used in developing hydro-electric power is not consumed. It is used without loss or waste of any kind and then passes on to great irrigation projects where it is again used, but this time some of it is consumed in the growing of various food products. These products help to build and sustain mankind.

The invention of the dynamo taught us how to transform mechanical motion into electrical energy. Then means and methods were evolved by which this electrical energy, once developed, could be transmitted without much loss to the market miles away. If we could not transmit electrical energy from the developing plant to the market it would be almost useless because most hydro-electric energy is developed in mountainous parts of our country where there is little manufacturing. The ability to transmit this valuable energy over lines of enormous wires stretched high above the earth on powerful poles makes it available for industrial uses in our big cities.

Eastern United States has been very progressive in the development of hydro-electrical energy. Niagara Falls has been in the lead, of course, in the development of energy. Western America has not been asleep. During the last few years a wonderful electric power development has taken place on the Pacific Coast. Travelers on trains in the Pacific States see many lines of electric wires extending from the base of supply to the market, carrying electrical energy for industrial uses and providing many comforts for man.

California has always led in hydro-electric power development work. The State has both mountainous regions and lowlands. In the mountains, hydro-electric energy can be developed for the use of industries in the lowlands. The biggest development work is taking place in the Sierra Nevada Mountains in Northern California. Here nature has combined in giving mountainous regions, water supply and water falls that are comparatively easy to convert into hydro-electric energy. At one particular place in Plumas County, California, there is a large meadow land of forty square miles that has been overflowed with water to a depth of 40 feet, creating by far the largest storage reservoir in the world. No site on the Pacific Coast or in America offers such an economical opportunity for the development of great quantities of power.

The situation and topography of Plumas County are such that the entire county is blessed with a heavy waterfall annually, the average amount being about forty-one inches yearly. On many of the high mountains, the snow does not disappear till late in the Spring or early Summer, thus storing a water supply which insures an ample amount for power and irrigation purposes, after the rainy season has passed. It is almost impossible to find words to express the magnitude of the power contained in the water supply of Plumas County. Besides the North and Middle Forks of the Feather River, with their numerous branches, there are hundreds of creeks and streams whose waters ripple the year round, so great is the amount of water shed from the mountains when the snow melts in the early Spring.

Vast Reservoir of Power

Years ago, a rising young California engineer looking over a map showing the topography of California was startled to note the big meadow land in Plumas County. A few years before, he had prospected for gold in Plumas County and had become somewhat familiar with the mountainous sections of the county. He knew that if a huge amount of water could be stored in this meadow land it could be conveyed by pipe lines to conveniently located power houses for electrical development.

This meadow land, known as Big Meadows was 4,450 feet above the level of the sea. These waters, if dropped 1,000 feet, would give a velocity that would produce power more economically than could be produced anywhere in the country.

The engineer quietly set to work and in company with a few friends leased these 40 square miles of meadow land, presumably as a cattle range. They did not want the public generally to know that they realized the advantages of the site as a location for a future big hydro-electric project. Later, by clever strategy they were able to secure the water rights on this land.

While making this progress, a rival company was laying plans to secure the same territory. The young engineer and his friends won and today their original holdings are owned by the Great Western Power System. This company will build a hydro-electric development with the Big Meadows reservoir as a back ground which, when ultimately completed will represent a gross minimum of about 635,000 continuous 24 hour-per-day all-year horsepower. The system differs from other utilities serving the same and adjacent territories in the size and continuous all-year operation of its operative water power generating properties, the immensity and ease of construction of its undeveloped hydro-electric power and the fact that this large amount of power is available in a region where power is greatly needed.

The power plant will be located in the main canyon of the Feather River in Plumas County, about six miles from the transcontinental line of the Western Pacific Railroad. Water will be obtained directly from Lake Almanor through a large intake tower and diverted through a two-mile tunnel into an entirely different water-shed, that of Butt Creek. The waters of Butt Creek will join at this point and will flow down the valley to a small dam at its lower end, creating the plant's forebay. A second intake tower will receive the waters at this point, which after passing through another two-mile tunnel will drop to the power house below.

The power plant will consist of two 20,000 kilowatt units, together with necessary electrical apparatus for switching and stepping up the electrical energy to the transmission voltage, all housed in a monolithic reinforced concrete structure. A steel tower transmission line will convey the power from the plant to the Valona sub-station, a distribution network center in the San Francisco Bay District. The transmission lines will carry 175,000 volts which is a greater voltage than is now carried by any transmission system in the world, and this big load will be carried with safety and security.

This power project, because of the relatively short tunnels, is susceptible of quick development. The plant will probably be completed in two years' time. The 40,000 kilowatts to be immediately developed will constitute an independent unit. Tunnels and penstocks will not be proportioned for the entire ultimate development, but for only one-half, or 60,000 kilowatts. Eventually, the plant will be increased from time to time until 120,000 kilowatts will be generated in one power house at one point.

Reduced to the human equation, the power developed by the first unit of this plant, if used entirely in industrial lines, would mean the employment of at least 50,000 men in new industries. The ultimate development of the unit will mean employment for 150,000 men in industries. The energy represented by one horsepower is equal to the labor of about eight men. The total horsepower now used in American industries represents 1½ horsepower per capita. This comparison clearly shows what a tremendous industrial development would result from the use of all hydro-electric power capable of development.

California's Power Shortage

The central portion of the State of California has faced a serious power shortage since 1917—the requirements of this district alone necessitating an additional 25 to 30,000 kilowatts of new plant capacity each year, but no new development work has been carried on since 1914. The demand for hydro-electric power in Central California will increase year by year for the following reasons:

High cost of fuel oil—more than double the former price.

Equalization of labor costs east and west of Rocky Mountains which will continue and will promote manufacturing in California.

High cost of transcontinental freight, which notwithstanding the use of the Panama Canal, seems certain to continue and will make manufacturing in California more necessary and more profitable.

Probable electrification of more or less steam railroads in California as at Seattle and through the Cascades.

California believes that she will soon take her place as an important manufacturing state and the Great Western Power System is providing for that day. With the development in hand, the probable growth in electrical energy will be anticipated for ten years to come. This big development work will mean much for Plumas and Butte Counties and for the entire central portion of the State. Gold miners prospecting and digging in Plumas County since 1849 have taken out at least $50,000,000 in gold. They have given back nothing. The Great Western Power System now steps in and returns to Plumas County some of the wealth that was taken away.

The annual consumption of electricity in New York City is $1.14 per capita. In California it is about $40 per capita. The reason is that in California hydro-electric power is readily available, while it is not so available in New York.

Mr. Brigham here describes a new hydro-electric development of the Great Western Power Co. which is of prime interest in the public utility field.

With the completion of this big power project, a big industrial development should take place in these counties. There are mountains of iron ore and deposits of lime which will be made productive commercially with the advent of electric power. Plumas County will be richer than if she had kept her gold. Central California generally will advance commercially because of this enormous amount of power available.

The great trade of the Orient has been a tempting morsel for California manufacturers and business men. Many kinds of goods which are now made in the East and sold in the Orient should be manufactured in California. With the Pacific Coast put on a manufacturing productive basis, Europe will experience great difficulty in selling goods in the Orient and the Americas. Large quantities of electric power at the right prices will help greatly in reducing the cost of manufacture so that goods can be sold competitively.

Hydro-electric power has truly come into its own and it is right that it should. Twenty years from now the American people will wonder why electrical energy was not used in more varied ways before. The electrification of our railroads will be the first step toward the general use of electrical energy for all purposes. The day is not far distant when we will do things electrically that are undreamed of now.

COUNTRY HOPES FOR FAIR RAILROAD PLAN

Thomas DeWitt Cuyler Satisfied Congress Will Deal Fairly

"It must be a source of satisfaction to all those interested in the welfare of the railroads in this country that the conferees have arrived at an agreement to report a bill which, it is hoped, will be protective both to the security holders and the shareholders of the properties and to the public at large.

"There can be no question that the conferences and the two committees of the House and Senate have had an earnest desire to do justice to the railroads. If the bill be enacted by Congress the railway executives and the owners of the properties will accept the bill in good faith with the earnest hope that it may be productive of the desired result, namely, the protection of the present credit of the roads and the extension of that credit so that they may provide in the future adequate facilities for the transportation system of the country.

"It cannot be too strongly emphasized that this question does not affect alone, nor even principally, the owners of these properties. The public is much more concerned. If the transportation system of the country is not adequate to its needs, the country must suffer. It is, therefore, earnestly hoped that the protection of the credit the proposed bill seeks to establish will prove successful. If it does not the railroads will confidently look to Congress for such additional legislation as may be necessary to further protect the companies and the public."

The Broker's Viewpoint

The man who represents his firm on the Stock Exchange is deemed by the layman to have "inside" information which is very valuable. There may be some brokers, whose daily business it is to execute orders, who also have a good knowledge of investments. Certain clients have been hunting for many of these "investment specialists" for years and have metaphorical double-barreled shot guns to use when they meet them. Just stop and think, Mr. Average Investor, and ask yourself how these brokers who are buying and selling all day long can have time to study real investment conditions. The member brokers have too close a perspective. They are like men standing close to a wall. They can only see a few square inches of it and not the whole wall.

The School of Experience

When you are satisfied you have made an honest mistake in judgment in an investment, do not deceive yourself into thinking it "may come out all right some day." This plan of reasoning is much like the man who plays solitaire and cheats himself to make the cards come out right. Switch into something else and the chances are you will be right the second time, for the lesson of the first will have been a liberal education.

National Lead Maintains Conservative Policy

How It Benefits from Resumption of Building Activities — Reserves Accumulated During Prosperous Period—Outlook for Earnings

THE ending of the war left the National Lead Company, like so many other industrials, with a large amount of uncompleted war business, much of its machinery converted from its regular lines of production to special war purposes, and a sudden cessation of the type of demand to which the company had adapted itself since the call for industrial mobilization. Building construction had been kept to the barest minimum, and dealers in building materials had cut down their stocks to the lowest points recorded in years.

The first task in hand, the reconversion of the equipment of National Lead to its normal output, was soon finished, but the trade difficulties took some time to overcome. For months after the armistice, dealers and consumers were persuaded that a decline in prices was inevitable, and therefore kept out of the market until prices should be more suitable. The fundamental demand of the people for more housing facilities and improvement of existing buildings finally compelled them to give way to the logic of facts, and by the summer of 1919 National Lead was doing a booming business in those building supplies which it furnishes.

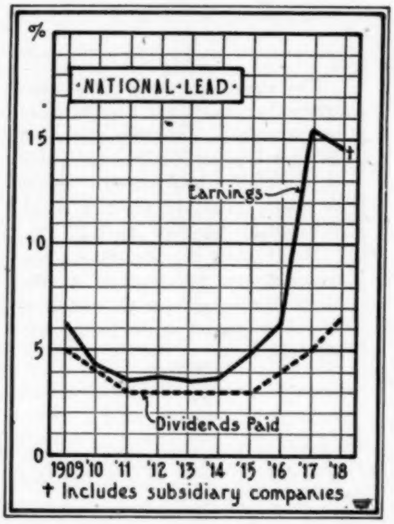
The company is one of the biggest American manufacturers of lead pipes, traps and bends, oxides of lead entering into the making of varnish and glass, and painting materials, including both oils and white and red lead, as well as the "blue" or metallic lead.

National Lead's Subsidiaries

National Lead itself is a producer of a diversified range of materials grouped under the heads of painters' supplies, bearing metals, plumbers' materials, printers' metals, canners' materials, various kinds of oxides, putty, linseed and castor oils, and miscellaneous lead compounds. In addition, the company owns all or part of the shares of thirteen subsidiaries, whose plants are distributed all over the country, and some in England. They produce paints, castor oil, construction accessories like expansion bolts, zinc and tin, and ammunition, in the case of the United States Cartridge Company.

The situation in the case of the latter company is interesting. It was one of those hardest hit by the transition from war to peace, but plowed in a goodly share of its war earnings into new equipment, which now enables it to turn out a diversified output of delicate machinery. For instance, it is now making electric motors and automatic machinery, its cartridge business now being a small part of its production. National Lead now owns all the outstanding shares of this company, though it is understood that it will not benefit directly from the profits of the subsidiary concern through increased payments by the latter to the parent company.

The earnings of National Lead are rather difficult to interpret properly, as the 1918 figures, the latest available, differ from all preceding ones in that they include the earnings of all companies whose stocks are owned entirely by National Lead. The subsidiaries mentioned above are said to be controlled by ownership of "all or part" of the capital stock, but no differentiation is made, so that



it is difficult to tell just what effect the inclusion of some of the subsidiaries has.

In any case, as shown by the attached figures, the 1918 earnings were somewhat less favorable than those for 1917, but both are considerably better than any before in the company's history. A conservative dividend policy in regard to these large earnings has permitted the building up of a surplus of large dimensions, according to the 1918 figures about $26.76 a share in the ten years since 1909. Before 1917 the policy had been to vary dividend payments according to annual earnings, leaving a margin of somewhat less than $1 a share in most cases. Increased earnings have brought a widening of this margin rather than an increase of corresponding size in the dividend disbursements.

The company has always shown a tendency to provide for reasonable contingencies by the creation of special reserve funds. For instance, in 1918 a possible decline in the price of lead, which might have had serious consequences because of the large inventories which the company has to keep on hand because of the nature of the business, was provided for by a "metal reserve" of $1,000,000. As the price of lead has gone up, and not down, the inventories have consequently appreciated rather than depreciated.

A "promotion reserve" of the same amount was also established in the same year to provide for development work on new properties and processes, which have proceeded satisfactorily according to company officials. Total reserves for 1918 amounted to $3,293,241, compared with $700,000 the year before, $300,000 in 1916, and nothing at all previously.

The net working capital of the company has increased but slightly as the amount of business done increased, having been $11,231,831 in 1911, and $13,070,787 in 1917. The stock is well secured by assets, net tangibles behind each share of common as of Dec. 31, 1918, being about $181.

Relations with Subsidiaries

The company's policy toward its controlled companies has been that they should keep most of their earnings, turning in as dividends to the parent company a comparatively small and stationary proportion. The result is shown in a surplus of $6,673,861 for the subsidiaries, in addition to the $9,986,046 surplus credited to the National Lead Company, or about $32 and $48 respectively per share of National Lead common, a total of over $80 a share.

The stocks and bonds of companies not entirely owned by National Lead are carried at $8,553,095, indicating that comparatively little of National Lead's property is not owned practically outright either in the name of the parent concern, or in that of subsidiaries, all of whose stock is owned by the parent company.

Capitalization

While the company has no funded debt of its own outstanding, it is responsible for $9,715,000 of bonds of subsidiary companies. The preferred stock has a par value of $100, and there are $24,367,000 of it outstanding out of an authorized amount of $25,000,000. It pays 7 per cent, and has an uninterrupted dividend record stretching back to 1893. It is preferred as to assets and dividends, and is redeemable at not less than par and accrued dividends. It is a high-grade investment stock, and at a late price of 108 yields about 6.48 per cent.

The common stock is also well secured, and its earning power seems to be on the up-grade, in view of the building situation, and the acquisition of a good earner in the United States Cartridge Co. The surplus would suffice to keep dividends at the present rate for seven years more, and the conservatism of the management has been demonstrated by its dividend policy in the past. At its present price of 77 it yields about the same as the preferred, about 6.49 per cent, and is to be regarded as a sound purchase for investment, with appreciation possibilities either marketwise or in increased distributions to holders of the common stock.

Rand Mines, Limited

World's Leading Gold Security on the American Market — Are the Shares an Investment or Speculation?

By **B. L. GOODRICH**

ABOUT a month ago a prominent firm of local bankers offered American investors the opportunity of subscribing to an issue of 60,000 "American shares" of Rand Mines Limited at $40 a share, and so far as can be judged, the offering has been a success. Investors doubtless recall that previous importations of so-called "British Securities," notably Royal Dutch and Shell Transport, have benefited those who bought early.

Mexican Eagle and De Beers are the two others of the quintette that have traveled across the pond and have had a good reception. THE MAGAZINE OF WALL STREET was, by the way, the first financial publication to call attention to Mexican Eagle at 16, the present writer having highly recommended it at that figure more than a year ago. It went above 60 subsequently.

American investors no doubt are watching for similar opportunities, and a good many well-informed people believe that Rand Mines may prove a real little bonanza, surpassing all other "importations" mentioned.

What Are the "American Shares"?

The 60,000 shares sold to local investors are *not* definitive shares in the Rand Mines Limited. In the plainest sense they are certificates of equity; or, as one writer calls them, "script-tokens," entitling the holder to participate in the dividends and rewards accruing to the block of stock totalling 150,000 shares of *real stock* in the Rand Mines Limited, held by the bankers who now make the offering.

It will be noted that the "American Shares" are to be issued in the ratio of one of the latter for two and a half Rand Mines Limited (the bankers call the latter "Sterling shares"). Nowhere in the prospectus do we find any representation that the holder of American shares will hold a single share of Rand Mines Limited. Of course, so far as dividends and income are concerned, he would be in the same position as if he held the original stock. Also, if Rand Mines Limited should go up in price on the London Stock Exchange, presumably the "American Shares," which it is stated will be listed on the New York Stock Exchange, should also go up.

But there are some obscure points and some doubts on the subject not cleared up by the literature of the bankers making the offering.

As we understand it, a block of 150,000 original shares of a par value of 5 shillings (normally and approximately $1.25) was acquired for "whom it may concern." This block of stock only represents a fraction of the Rand Mines Limited, since it has 2,125,995 shares outstanding, all of one class, without preferred stock or funded debt.

Who owns this block of 150,000 original ("Sterling") stock, how much was paid, why and how it was bought, or what they are going to do with it is not very clear. But the process of creating the new offering is astonishingly simple.

The block of 150,000 shares was recapitalized, if such a term can be used for simplicity. Against it, new certificates were printed in the ratio of one new certificate for every two and a half held, namely 60,000 new "shares" against the 150,000 "Sterling" stock held. The whole was then deposited under an agreement with the Bankers Trust Company, and as fast as one American share was sold at $40, two and a half of the British product was set aside, tabled and labeled as belonging to its companion $40 stock. It might not have been done quite that way, but the more legal and dignified way actually employed, without a doubt amounts to the same thing.

Price and Dividend Record of Rand Mines, Ltd.—1909-1919.

Year	Per Cent of Dividend to Par of Stock	Amount of Dividend	Range of Stock £
1909	350%	17s6d	10 23/32-7 9/16
1910	220%	11s	9 21/32-8 3/16
1911	220%	11s	8 13/16-6 3/16
1912	220%	11s	7 3/16-5 15/16
1913	220%	11s	7 5/16-5⅛
1914	220%	11s	6 9/16-4⅞
1915	170%	8s6d	5⅛-4 1/16
1916	155%	7s9d	4 11/32-3⅛
1917	150%	7s6d	3 4/5-2 9/16
1918	125%	6s3d	3 9/16-2¼
1919	105%	5s3d	*4-3*

*Approximate.

Therefore, the buyer of one "American Shares" at $40 has an equity in two and a half British shares, and simple arithmetic tells us that if he owns 40 "Americans" he would really be the owner of 100 "Sterlings"—or $1,600 for a real live block of British stock.

The trouble is that, assuming he has bought, and *has* it, what is he going to do with it?

Well, the owner doesn't know, because the real ownership of the big block is vested in the "pool" or syndicate, or person, or corporation (or whatever it might be) that owns the real block of 150,000 solid sterling British stock; and that owner is not telling.

It is not certain that, however valuable or desirable the American shares may be, when or how the American buyer of these certificates will ever come into possession of the *Rand Mines Limited*, whether the latter will be distributed at all, who will vote on the said block of 150,000 original shares, or even *why* the existence of "American shares," when an American investor can go direct to the London market and buy his own Rand Mines, Ltd., at the same price—and sometimes can get the better of the bargain by special weakness in the London market.

There is an obvious advantage in being a direct stockholder of a corporation, getting direct notice of "what is doing," and not depending upon a local market that may be created for localized stock, when the original stock has almost an international market, being known on all the principal exchanges of the world. A ridiculous analogy can be indicated in the desirability of buying cigars at the United Cigar Stores or any other leading tobacconists, rather than through the nearest delicatessen establishment—*although* the worthy proprietor of the latter may stock cigars alleged to be "just the same."

Bankers behind the present offering are of a high-grade character: everybody connected with the plan has a splendid record. The Transfer Agent and Depository is the Bankers Trust, while the registrar for the local stock is the Chase National Bank. The enterprise itself is one of the world's most important industries, and the Rand Mines Limited goes back to 1893, and some of its sponsored "subsidiaries" are more ancient than that. More is the pity that the sponsors did not see fit to offer actual original stock, definitive certificates of ownership in Rand Mines Limited, and allow the investor to do his own thinking and acting as to what he would do with his investment when he bought it. It must be confessed that the "pool" idea back of the offering does not add piquancy to the investment flavor of the whole.

Is Rand Mines a "Has-Been"?

Rand Mines Limited is really a holding company and does no mining. Such mining claims as it held in the past have been disposed of. It owns about 1,680 claims, water rights, freehold and leasehold farms and other mining property, out of which it does not seem to be deriving any important income. Its main holdings consist of shares in about 25 of the leading and prominent gold mines of the Witwatersrand district in the Transvaal, South Africa. This district has been one of the richest gold areas ever discovered, and for twenty years past has supplied the British Empire (together with Australia) with most of its gold. Even now, the Witwatersrand mines, although being worked to the limit for the balance of the riches they still probably possess, find it hard to supply the big demand on the

British Empire and its dominated Indian Empire with the precious metal.

In the plainest sense, Rand Mines Limited does not own or control its so-called subsidiaries. It owns large blocks of stock in some of the best producing mines, in some cases sufficient to give it a voice, in others no more than any ordinary but wealthy investor in these same mines might have by buying its shares. Its holdings in these 25 mines run as high as over 800,000 shares of Crown Mines Limited (one of the best) to as low as a little over 5,000 shares in such concerns as the Pretoria Portland Cement Company and the Springs Mines Limited. Like a very wealthy investor, it depends upon the dividends it receives, but by reason of its substantial stock-ownership, affiliations with its "subsidiaries" and mining connections, undoubtedly exercises a considerable influence upon the mining companies giving it its revenues.

Rand Mines Limited has had a remarkable dividend record based on its capitalization of £5,311,498. From 1908 to 1918 dividends annually were on the average of a trifle over £10,000,000 annually, or nearly double its capitalization every year! Some dividends have been paid without a break since 1903. Based approximately on present rates of exchange, these dividends were about $35,000,000 annually on a capitalization of about $17,-500,000 (using $3.50 as a mean average to express present exchange rates).

The stock in past years has been tremendously profitable to early investors but, in the writer's judgment, the table "A" possesses more than ordinary significance. It shows clearly that what *has been* is ancient history on the face of it. Taking 1909 and 1919 for a basis ot comparison, it will be seen that earnings have declined 245%, and that the dividend disbursement is less than one-third the old rate—which is *some* drop. All the way down, the table is a record of past glory. Of course, conditions are trying just now, materials high, labor dear, and efficiency at a premium. But, what about the *consistency* of the table from 1909 onward, as proving the downward tendency of earnings and dividends.

The complete answer is: gold mines do not last forever, and the mines paying dividends to the Rand Mines Limited are gradually hitting the low-grade and more unprofitable ores. As mining goes deeper, it gets hotter and more uncomfortable, and miners like more money for going down to the depths to get the gold.

A well qualified local engineer estimates that the subsidiaries of Rand Mines produce about $93,000,000 in gold annually—about 1½ times the United States and Alaska output. The share of the Rand Mines, Ltd., in this is about $13,000,000. Due to conditions familiar to every one, net earnings have shrunk to the extent that the equity of the Rand Mines Limited in 1919 in its share of the output was no more than $2,000,000.

Whereas, in 1914, Raxd Mines received well over £1,000,000 in dividends in 1914, the returns of 1918, 1919 and 1920 (the latter estimated) will not exceed £400,-000 annually on the average: in other words, Rand Mines income will be around 40% of the 1914 figure.

This drop is not so important as the fact that the exhaustion stage is now six years nearer—no matter *when* the last shovelful of ore may be mined.

If, as it has been estimated by the engineer referred to, the 1919 income from dividends will not exceed $1,500,000, then the original stock will pay about 70 cents a share, and the "American shares" $1.75. Such a return on a price of 38-40 does not make *any* mining stock a bargain. Obviously, a commitment could not in any sense be called an investment, and the hope lies:

In a reduction of mining costs with greater output.

Buoyancy of the mining shares market.

Restoration of exchange rates to normal.

Speculative activity on the local market for the "American shares."

The writer cannot grow enthusiastic on the subject.

Facts About the North Texas Oil Fields

"What Is the Matter with the North Texas Oil Fields?" Inquires the Average Man in the Street, Who Has Been a Consistent Investor in Texas Oil Stocks

THIS question is a logical one, especially so at this time, when the searching spotlight of the investor is being turned onto his and his friends' investments in Texas companies.

Many things enter into considering the actual "whys" and "wherefores" of this, and a survey of the two principal and well known oil producing fields in Texas—the noted Ranger and Burkburnett fields—may show many an investor some of the reasons why his particular company "flivered" out.

Two main reasons explain the failure of most companies to make a "go" of things. The first is the over enthusiastic belief that there was more oil to the **acre than actually "panned" out.** The second is that many oil companies were greatly overcapitalized.

Immediately following the bringing in of the Ranger field, and later of the Burkburnett field, many companies were organized, most of which had but very small holdings, some only a townsite lot or one acre. Many of these companies were organized on the mistaken idea that the supply of oil was inexhaustible and no consideration was given to the thickness and porosity of the oil bearing sands. This was due to a lack of knowledge and experience in producing oil by the people buying the properties and financing these many companies. Experience in the other fields has taught the successful oil producers that the amount of oil that can be taken out of a certain tract of ground is determinable.

From the production secured in Oklahoma and Mid-Continent and other fields,

AN OIL WELL AFTER A "SHOT"
Gusher "Coming In" in the Goose Creek, Texas, field

it has been found that the relation between the thickness and porosity of the sand and the amount of oil recovered, is very definite. Last June, when the excitement was on in Burkburnett, much property was sold at a figure that would have necessitated the recovery of at least 50,000 barrels per acre to pay back the purchase price, to say nothing of leaving a profit. This would be a greater yield than any other field had ever produced. Many operators of long experience estimated that 25,000 barrels per acre would be recovered. The truth of the matter is that developments have shown that the owner who recovers 8,500 barrels per acre will be very fortunate.

Burkburnett furnishes the most flagrant instance of the town lot and small acreage drilling, the ground being literally "pockmarked" with derricks.

Wells that were producing 2,500 to 4,000 barrels per day in July are now only producing 50 to 100 barrels per day. The average production per well is now 86 barrels. This remarkable decline is due to the closeness of the wells. This is another confirmation of the fallacy of close drilling, and bears out the experience of other fields in which this sort of development has been prohibited.

Ranger Wells Have Short Life

On the Ranger field, it has been found that the wells exhaust themselves even

quicker than in the Burkburnett. They do not have a sand such as is found in Oklahoma and other oil producing territories, but the oil is found in a black lime which is very thin and hard. There have been examples of wells which flowed 12,000 barrels per day when brought in, but which only produced 10 barrels per day three months later. It is generally recognized that the wells in the Ranger field will entirely exhaust themselves in 14 months after the time first brought in. Very often wells, which come in from 500 to 2,000 barrels per day, do not even pay the cost of drilling. It is claimed that 60 per cent of the wells drilled do not even return the money invested for drilling. There have been many notable instances where producers who were not well versed in the relationship of the recovery of oil to the thickness and porosity of the sand, lost millions of dollars.

For instance, one company, composed of a country lawyer, a country banker and a small town merchant, owning 40 acres, organized a company among their fellow townsmen, capitalized at $100,000. This acreage was about the center of the field and they drilled and brought in a well of initial volume of 3,500 barrels per day. Shortly afterwards they were offered $3,000,000 for the property, but turned it down for the reason that the income tax would have taken a large proportion of this amount. The well is now dry and the property not producing. For the reason of their not being experienced oil producers, they were unable to judge the amount of production that they could recover from this acreage. Not only did they lose their chance of getting $3,000,000 for the property, but they also expended their original capital in trying to keep up their production, which finally ceased some four months after the first well was brought in.

The rate of decline of production in this field has proven that 5,000 to 6,000 barrels per acre is the largest amount that can be recovered in this territory. In the average oil company, whose stock is dealt in on the Curb, examination shows that it is usually built around a 5 to 60 acre tract. This is usually the only property included in the total acreage that shows any actual production. The people promoting the company usually purchased a tract of this size on which there was production and to this added a large amount of acreage, which was usually many miles from any known oil field, and advertised that they had *"so many thousand acres in Texas,"* leaving the prospective investor to assume that all of this acreage was located in territory where oil had been found. Naturally there was no increase in production of any consequence as time went on. Dividends of an unusually high rate were paid the stockholders. These dividends usually represented the major portion of the money received by the company from the sale of its oil, but nothing was put aside as surplus to be spent either in the purchase of additional oil properties or in the search for oil.

This might be likened to a man inheriting a small shoe store, who sells all his shoes and spends the money instead of replenishing his stock.

Comparative Guide to Leading Oil Stocks

Ratings Based on Earnings, Assets, Dividends, Capitalization, Management, Present Price, and Prospects

Note.—In previous issues we have classified and rated oil securities in groups thus: Standard Oils, N. Y. Stock Exchange issues, N. Y. Curb Group, and Miscellaneous. Ratings were assigned, and are here continued from A to G, rating A being the highest and G the lowest. The first named places the security in the investment class, B is a business man's semi-investment, C is a specvestment, D a speculation; E. F. G. are more risky.

Atlantic-Lobos Oil Preferred Stock. This is the company that is made up of the Mexican Oil interests of the Atlantic Refining Company and the Port Lobos Petroleum Corporation. It will become one of the most important producers and refiners in Mexico. This company has 200,000 shares of preferred stock of a par value of $50 outstanding, and this issue already sells of 125. This is because it is a 16% cumulative and participating issue, receiving its $8 dividend out of the first earnings, and shares with the common stock in all other dividends declared, equally with the common. The present yield is 6.4%, and the high price of the stock points to the belief of those who are willing to pay the price, that they expect better things out of the surplus earnings of the company when its large holdings in Mexico are further developed. Rating A1.

Atlantic Refining Co. Preferred Stock. This stock sells between 113 and 115, and although not enjoying quite the same prestige as S. O. of N. J. pfd., is in its class so far as safety goes. This is also a 7% cumulative non-voting stock of which $20,000,000 is authorized. When it is considered that the common stock of the same company is scarce between $1,500 and $1,700 a share, it can be judged that the preferred stock is sufficiently high-grade to be a suitable depositary for investment funds. Yielding over 6%, this issue is quite as good as some bonds yielding less. Rating about A.

Chesebrough Manufacturing Preferred Stock. This is the famous company that makes "vaseline" a patented name that has found its way into the dictionary. Many other companies also make petroleum jelly, but they cannot call it "vaseline" nor say "it's just as good." Therefore, Chesebrough has a wonderful monopoly of a world-known product. The war has given this concern an additional advertising boost worth millions (not carried in its balance sheet). As a 7% cumulative non-voting stock, and only $1,000,000 authorized, selling at 107 to yield 6½% this looks like an investment bargain. The common stock deservedly sells around $300 a share and formerly as high as $1,000,000. I cannot foresee conditions under which the dividend would not be paid, and this preferred stock cease to be regarded as a gilt-edge investment. Is cheaper than the other two because the company is relatively small. Rating about A1.

Cities Service Preferred Stock. This is a 6% cumulative preferred stock that sells around 75 to yield 8%, and as the company earned over $20,000,000 net last year, it looks as if one need have little fear. Even before the company became so prominent in "oil" the preferred dividend was earned by a large margin. Between 1914 and 1916 it got into arrears, but paid up 14½% in arrears in 1916 and has maintained its regular dividend since. The company has been one of the wonders of the oil world, has efficient and aggressive management, and there is a strong buffer between the preferred and trouble in the substantial common stock issues that follow the senior stock. Rating about B.

Cosden & Co. Convertible Bonds. The entire funded debt of Cosden & Co. amounts to about $10,000,00 in 6% convertible bonds, due respectively 1926 and 1932. The total assets behind these bonds are valued around $50,000,000 while liabilities are conservatively no more than $10,000,000. This leaves an "equity" of about $40,000,000 for bondholders—or four times the funded debt. Obviously, the security seems ample. Interest requirements are about $600,000. The company has been earning between $7,000,000 to $10,000,000 annually available for interest charges, and even if these should be cut in two, bondholders seem amply secured. These bonds are listed on the Baltimore Stock Exchange, and may be listed on the N. Y. Stock Exchange eventually. Last sales were around 96, and the straight yield is over 6¼%. The company has the right to redeem these bonds at 110, but indications are at present that these will be gradually retired in the open market. These bonds are convertible into the common stock at $13, which means that for $1,300 in bonds the owner can receive 100 shares of Cosden common stock at any time before maturity of bonds. The stock is selling around 9 now and may one day sell much higher. The "call" on the stock is worth while. Rating about A.

Preferred Stock. This stock, par $5, fluctuates between 4¼ and 4½ (inactive), and apparently little offered. This is a 7% cumulative preferred issue, and the yield would be approximately 8%, which is generous considering the security. The "equity" behind this issue is about $30,000,000 compared with under $4,000,000 in preferred stock outstanding. Earnings seem more than ample to cover dividends. This preferred stock is convertible into the common at $15 a share at any time. Rating about B.

Mexican Petroleum Preferred Stock. The 8% non-cumulative preferred stock of this leading Mexican Oil Company is outstanding to the extent of $12,000,000 and the company has been earning the equivalent of between $5,000,000 to $7,000,000 annually, after very liberal charges-off. With a preferred dividend liability of less than $1,000,000 annually it can be seen that earnings would have to take an enormous drop to reach the danger-point. At 102-104 the yield is about 7¾%, which is quite large compared with the "risk" involved. Rating about A.

Ohio Cities Gas Preferred Stock. This is a very inactive issue that is no less attractive for those who look to income and a good degree of safety. The stock fluctuates between 80 and 83, and paying $5¼ on a par of $100 yield about 6¼%. The authorized issue amounts to $10,000,000 and is followed by $46,000,000 in common stock—the latter a popular medium for speculation and investment. The earnings are sufficiently high to insure a very comfortable degree of safety for the preferred stock. The preferred dividend has been maintained at this rate for 5 years, and is cumulative. Rating A.

Pierce Oil Preferred Stock. This is a new issue created in July last to take up the company's debentures. It is an 8% cumulative issue of which $15,000,000 is authorized, and this will ultimately replace the entire funded debt of the company. The par value of this new issue is $100, which is a denomination more popular with investors than that of the common, which is $25. This issue is followed by over $20,000,000 in common and the total assets are conservatively over $20,000,000. The common stock has a book value of nearly $40 a share, so no fault can be found on the ground of security. The stock is selling around 95 (the low of the year) to yield 8.4% and looks like an investment opportunity. This stock is convertible up to January 1, 1923, into the common at par ($25). The convertible privilege has a chance of becoming worth something. Rating about B.

Standard Oil of N. J. Preferred Stock. This is a 7% cumulative non-voting preferred stock of which $100,000,000 is authorized. This senior Standard Oil Company earns over $100,000,000 annually and the prestige and resources of the entire group are behind this issue, which is in the same class as U. S. Steel preferred. There are no bonds preceding *any* Standard Oil issue and a price of 115 for this issue to yield a trifle over 6% shows its class. If S. O. of N. J. pfd. sold between 125 and 130 this would be on a 5.4-5.6% basis, and this is the least rating it is entitled to under better conditions. Rating about A1.

Standard Oil of Ohio Preferred Stock. This is also a 7% cumulative non-voting preferred stock, authorized to the extent of $7,000,000, and sells around 113. The common stock that follows the issue sells above 500 most of the time. Values behind this issue exceed $35,000,000, and with the common able to pay from $16 to $24 in dividends and "plow back" handsome sums to surplus, quite obviously this is among the best of investments for income. A price of 125 should be reached when conditions moneywise improve. Rating about A.

BACK NUMBERS

I appreciate the difficulties of the publishers at the present time, with cost of materials and the unrest of labor; it is not all honey and roses trying to get out a magazine or a paper. Lately I have been looking over ome of the back numbers and it is surprising the wealth of information I had somehow missed on the first reading.—G. B. D., Massachusetts.

Market Statistics

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 20 Inds.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocsks High	N. Y. Times 50 Stocsks Low	Sales
Saturday, Jan. 31.....	70.75	103.82	74.68	88.46	87.29	349,805
Monday, Feb. 2.......	70.61	103.01	74.68	87.98	86.98	480,615
Tuesday, Feb. 3.......	70.59	99.96	73.56	86.82	84.65	1,048,835
Wednesday, Feb. 4...	70.39	97.23	71.97	84.77	82.08	1,738,500
Thursday, Feb. 5.....	70.15	95.50	71.51	83.03	81.08	1,278,700
Friday, Feb. 6.......	70.04	95.75	70.83	82.64	79.27	1,522,430
Saturday, Feb. 7.......	70.01	96.13	71.40	82.04	80.84	463,047
Monday, Feb. 9.......	70.01	95.73	71.09	81.92	80.29	789,275
Tuesday, Feb. 10......	70.00	92.12	69.00	81.23	78.66	1,033,632
Wednesday, Feb. 11...	69.24	90.66	67.83	78.87	76.73	1,388,265
Thursday, Feb. 12....		HOLIDAY				
Friday, Feb. 13.......	69.20	92.66	69.38	78.65	75.45	1,345,420

When to Buy Non-Taxable Securities

(*Continued from page* 529)

amount of taxable income obtainable with advantage, so we must now deduct this amount, $280, in obtaining the "income reference figure" to use with the graph. This gives us $29,000 as the "income reference figure."

Now turn to the graph and locate $29,000 on the income scale at the left. From this point follow horizontal line to the right until it just touches the flight of steps marked 4.50%. If it touches halfway up a step or at top or bottom of a step, never mind; from the first point reached, drop a line vertically to the bottom scale, where 5.7% is indicated in this case.

This is for all practical purposes the yield desired. What slight error exists comes from choosing the rate at which the individual invests his $200,000. But the investor may rest assured that as long as this chosen rate reasonably approximates the yield desired, the result will be practically correct.

We have found that this individual can invest to better advantage in taxable bonds yielding from 5.7% or more, than in nontaxables at 4.50%. Now let us look into his present holdings of non-taxables and see if he should not take advantage of present high rates in taxable bonds by switching some or all of these non-taxable investments.

He receives $3,500 from non-taxable sources. Let us suppose he is obtaining as high as 4.75% from these bonds. He has about $74,000 so invested, let us say. If these were all switched to taxables at 6% he would add $4,400 to his taxable income. Adding $4,400 to $12,000 derived from investing his $200,000 at 6% gives $16,440 total additional taxable income, which compares favorably with $21,000 found above to be the amount of additional income which he could assume with profit.

The Effect of Tax Reduction

Apart from the effect of taxes on the individual case, it should be realized that well secured corporation and foreign government bonds are selling at prices to yield abnormally high returns. The principal causes are the reduced purchasing power of the dollar and the confiscation of income through the operation of the Federal surtax. Should the purchasing power of the dollar increase and taxes, especially surtaxes, be reduced, rising bond prices would naturally follow.

Investors are just awakening to a realization of the fact that the narrowing of the general investment markets for all classes of taxable bonds is making it increasingly difficult, if not impossible, to handle the necessary volume of bond issues required to meet the financial needs of the railroads and public service corporations; to say nothing of absorbing the volume of foreign bond issues necessary to the rehabilitation of the countries of Europe.

The importance of this fact almost insures, in the opinion of the writer, the probility of a diminution of the Federal surtaxes through legislative action in the reasonably near future.

There is some point at which the appreciation in the principal of taxable bonds will offset savings in net income which the investor attempts to secure by investing in non-taxable securities. Any substantial reduction in surtax rates alone should affect these two classes of investments in opposite ways; the value of taxable bonds should improve, whereas, the value of tax-exempt bonds should decline as the result of the same statutory change.

"Over-the-Counter" No Guarantee

In recent years there has been a great increase in the number of stocks which are dealt in over the counter. The public seems to imagine that these stocks are safer to own than the stocks on the exchange in which there is usually a big speculation. That is a false idea. The stock in which there is a big speculation may have more minor fluctuations, but as regards the wide movements it adjusts itself to the conditions more accurately than it would if it were unlisted.

TEXAS COMPANY.—Buys Steamers.—The company bought 13 oil tank steamers, aggregating 120,000 deadweight tons, 8 of which have been completed and Shipping Board for $20,000,000. V. 25, No. 5, P. 345.

KICKLESS

Prohibition and oil are not often linked as a market topic, but when Middle States Oil started sliding off recently, an investor who was heavily committed in it asked another trader what really was the matter. The stock was dropping, rallying, and dropping again with apparently no bottom.

"Got no kick to it," the unfortunate holder observed.

"Nope," Trader No. 2; "it's like near-beer!"

"Huh!" said Trader No. 1, disgustedly, "acts more like a near-*oil*." de V.

* * *

We received a prospectus of the Good-night Oil Company a few days ago. There was no enthusiasm around the office to buy it. But what's in a name, anyhow?

* * *

The organist in a cow-town out in Colorado always kept suspended above his Estey a sign which read "Don't shoot the organist—he's doing his best."

* * *

Broker A—I sent old Newrich a call for more margin. He went right up in the air.

Broker B—Sort of high financier, eh, what?

* * *

The wool of the northern sheep, if transported to the tropics, changes to hair. If they remain in the financial district they become bald.

BOOBS' INQUIRY COLUMN

MAGAZINE OF WALL STREET:

Please tell me where I can find Mr. Pier Pont Morgan?

Answer—Last we saw him he was out on the end of his own Pier.

* * *

BOOK DEPARTMENT:

Please send me, free of charge, "Cuba, the Winter Paradise."

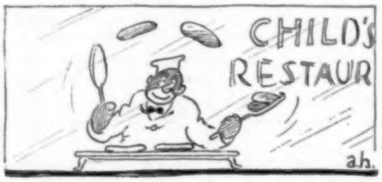
Answer—We'd like to, but it sticks so tightly to the map we can't get it loose.

* * *

MR. EDITOR:

DEAR ED—I've been reading a lot about the Einstein theory lately. Is this Einstein the broker? If so, what is his theory?

Answer—Too technical for us. Ask Einstein.



DEAR EDITOR—I'd like to buy something for a quick turnover. What do you recommend?

Answer—Go to Childs' and ask them to put you long of Buckwheats. They give you the quickest turnover in the Street.

* * *

Bull—When an Irishman tells me about his losses I know he's not exaggerating.

Bear—Yes, and when a Scot tells me about his profits I know he's well within the truth.

WOULD BE A POPULAR MOVE

Apropos of the recent announcement that a certain distilling corporation would distribute its dividends in the form of whiskey, may we in the near future expect to read the following announcement?

"American Sugar Refining has declared its regular quarterly dividend of two pounds of brown sugar.

"National Cloak & Suit has declared its regular quarterly dividend of one blue serge suit, and in addition an extra dividend consisting of one pair of silk stockings."

* * *

NIGHTMARES OF AN INCOME TAX EXPERT

Is a tennis professional taxable on all his net income?

How much can a physician deduct for operating expenses?

What happens to a super-tax if there is no super left to tax on?

In reporting winnings at poker, does one have to waive immunity from arrest for gambling?

Can a professor of English make deductions for syntax? Or an upholsterer for brass tacks? Or an army officer for hardtacks?

* * *

Long—I see a consortium of bankers is going to underwrite a European loan. What's the difference between a consortium and a syndicate?

Short—Syndicates usually get five points for such an underwriting; consortiums ten.

Adventures of Mr. Wanta Getrich Quick

Investment Inquiries

RUSSIAN GOVERNMENT BONDS
Outlook Improved

The outlook for Russian Government bonds today appears brighter than it did before the Allies lifted the blockade; still, all things considered, there are too many uncertainties in the situation to justify rating these securities as anything better than a speculation. Should an orderly improvement in Russian affairs set in and government in that country be securely enough established to assure good foreign trade, there might be a substantial upturn in the market price of these bonds. However, persons who buy them now take a risk which can only be considered a big one.

ANGLO-FRENCH BONDS
Safety Element Assured

We see no reason for doubt as to the future of the Anglo-French bonds. All indications point to the indebtedness being satisfactorily discharged at maturity. The low price at which they are now selling is due to conditions in the bond market in general, especially the demoralization in French and sterling exchanges, but we do not believe the present high yield of the bonds can be in any way considered a reflection upon their safety.

The British and French governments will likely float another issue here a little later in the year. Probably holders of current issue will be given the alternative of exchanging into the new one or of surrendering their present holdings for cash. This prediction is not based on any official announcement, but is merely our conclusion from a study of the situation.

CANADIAN PACIFIC IN BERLIN
Not for Average Investor

It would be difficult, perhaps impossible, to obtain delivery of Canadian Pacific stock purchased now through the Berlin stock exchange. There are restrictions against sending non-German stocks out of Germany at the present time, as well as restrictions against importing German-stamped stocks imposed on this side by our own Alien Property Custodian. Moreover, although dividends of 10% a year paid on other shares have not been paid since 1914 on German-stamped certificates, it would probably be impossible to have German certificates transferred to the name of an American buyer for the purpose of obtaining title to these undischarged dividends.

The wide difference between the price of Canadian Pacific stock here and its price in Germany is due to the factors reviewed above, as well as to the uncertainty concerning the probable future status of German-stamped securities, the great disparity between exchange rates and innumerable minor factors, such as delays in obtaining quotations and in executing cable orders.

We would not advise the average investor to purchase the Berlin certificates. However, the fact that Canadian Pacific stock is quoted in Berlin today at around 1,300 marks (equivalent to about $16) having fluctuated from 1,050 marks (about $28) last September, continues to be a matter worthy of the attention of our experts in arbitrage.

BANK STOCKS
Many Desirable Investments

It is because of the difficulty many investors have experienced in obtaining information concerning the securities of the various banking institutions of the country that The Magazine of Wall Street undertook its series of articles on "Bank Stocks" which have been running now for several issues. Information presented in these articles has been obtained largely from original sources, and persons who are considering investment in this group would do well to read them.

It is, of course, impossible for us to predict which banks contemplate "stock dividends." However, the Hanover National Bank is in a strong position, and is among the National Bank issues toward which we feel most favorably disposed. National Bank of Commerce is also in a very strong position, having an undivided surplus and profit of well over $6,000,000, and a capitalization of only $2,000,000.

Heretofore, we have been favoring Chase National Bank stock but, as these shares have since advanced considerably, we would now be inclined to suggest a switch into First National. The latter stock at present sells around $1,000, and we believe it should prove a profitable and safe investment.

The Magazine of Wall Street intends to continue its analyses of banking securities from time to time. The last analysis was of the Bankers Trust Co., whose shares we would recommend at around $400.

ATLANTIC LOBOS COMPANY
A Strong Organization

The Atlantic Lobos Oil Co. was organized in Delaware in September, 1919, as a consolidation of the Port Lobos Petroleum and Atlantic Oil companies. The company is a subsidiary of the Atlantic Refining Company, a Standard Oil concern, and has 200,000 shares of 8% preferred stock and 500,000 shares of common, no par. The company is expected to develop into one of the largest producers of fuel oil and casing head gasoline in Mexico. It is estimated that Atlantic Lobos will earn $5,000,000 net a year from its refinery, and with crude oil deliveries of 45,000 barrels a day, total net earnings are expected to approximate $13,000,000. These factors should be reflected in the future course of the stock.

SOME RAILS AND AMER. TEL. & TEL.
Appear Cheap at Present Prices

We think the present a good time for investment in the railroad stocks of the better class for a long pull. Earnings of the Pennsylvania and Norfolk & Western companies have fallen off of late, and we would not especially favor these two stocks. Southern Pacific looks attractive, however, as earnings are holding up well and there is good reason to expect them to increase largely as a result of the company's oil operations. In addition to Southern Pacific, we are inclined to favor Union Pacific and Pere Marquette.

We think well of American Tel. & Tel. stock. The company recently reported $10.34 per share earned on the stock in 1919, making the present 8% dividend rate on the stock appear quite safe. At its present price of around ninety-seven dollars a share, the stock seems to offer exceptionally good opportunities.

IMPORTANT!

We have greatly enlarged and improved our Investors' Personal Inquiry Service and have installed direct telegraphic connections. A nominal charge will be made to cover in part the growing cost of this service. For particulars please see page 601, The Magazine of Wall Street

U. S. REALTY 5s
Appear an Attractive Investment

United States Realty & Improvement Co. 5s, due 1924, and now selling around 81 on the New York Stock Exchange, we regard as a very attractive investment. Earnings of the company for the year ended April 30, 1919, were about 3½ times interest charges, and earnings for the year to end April 30, 1920, are expected to be about five times these charges. At present prices these bonds, if held to maturity, would yield over 10% on the investment.

AMERICAN LOCOMOTIVE
Outlook Hopeful

American Locomotive at its present price of around 90 offers, in our opinion, good speculative opportunities. The company is said to be operating at only about 15% of capacity at present, due largely to the adverse foreign exchange situation, which is holding back foreign orders. When this exchange situation is adjusted, however, and our railroads become able to make the large equipment purchases which are contemplated, companies such as American Locomotive should benefit materially.

AMERICAN BEET SUGAR
Earnings Should Increase

Various adverse factors combined to keep the earnings of the American Beet Sugar Co. down in the year to March 31, 1919, but for the current year, ending March 31, 1920, earnings will probably be much improved; being estimated at $15 a share on the common stock after all charges and preferred dividends. In view of these expected earnings, we would not advise selling the stock. Although it is still in the speculative class, there appears to be every reason to expect that the company wil benefit substantially from the current high price of its product, and that these benefits will be lasting.

UNIVERSAL PETROLEUM
Not Sufficiently Seasoned

We would rather be excused from expressing an opinion of the firm advertising the Universal Petroleum Corporation stock. This company is in the promotion stage, and the stock, in our opinion, is selling largely on the basis of estimates of future possibilities which may have to be revised substantially downward. We fail to see how a valuation of $10,000,000 for this company (that being its capitalization at par) can be regarded as warranted either by proven earning-power or possibilities. Stocks of this character, in our opinion, are likely to sell substantially lower before long and persons determined to gamble in them might do well to hold off until prices have become more compatible with values.

U. S. LIGHT & HEAT
Little Recent Information

U. S. Light & Heat Corporation was taken over by the Willys Corporation some time ago, and details of recent developments in the company are not available. Earnings in the past have been small and, as an independent concern, U. S. Light & Heat could not be regarded as successful. Now that the Willys Corporation has taken it over, there is reason to hope for better re-

sults, including the introduction of more economical methods in the plant, as well as an expansion in its production. Persons holding U. S. Light & Heat might do well to keep the stock, but we would not endorse new purchases until more information concerning the company is forthcoming.

UNITED RAILROAD OF SAN FRANCISCO

Reorganization Near Completion

We would not advise the sale of United Railroad of San Francisco certificates at present prices, as we believe they will sell considerably higher as soon as the pending reorganization is consummated. In an article in the August 2d number of The Magazine of Wall Street the value of these certificates was carefully analyzed and the conclusion was reached that they were entitled to sell in the neighborhood of $45. In our opinion, the prevailing difference between the apparent value of these certificates and the market price on them will not continue much longer.

Reorganization of United Railroad of San Francisco, we understand, is close to completion, enough of the bonds having already been deposited.

UTAH CONSOLIDATED COPPER

Normally a Fair Earner

Shares of the Utah Consolidated Copper Co. in the Boston market are selling around their lowest prices, largely because the company is a high-cost producer and also because it has been involved in litigation with the Tintic Mining & Development Co., the Utah Apex Co., and the Utah Metal & Tunnel Co. In 1918, the company's sales totaled over $3,000,000, and the average sales in 1912 and 1913 were about $1,600,000. Operating expenses have been pretty high, amounting to $2,600,000 in 1918, and resulting in a deficit of $200,000 for that year. Earnings suffered in proportion, dropping to 84c. a share, compared with an average of about $2. In normal times this company is capable of earning at least $2 a share on its stock, and a considerable improvement in its affairs may be expected as soon as costs come down and large copper surpluses now hanging over the market start to move. We would not suggest purchases of this stock just now, but if held at a loss we would not suggest sacrificing at these depressed levels for copper stocks in general.

OHIO CITIES GAS

Has Large Earning Power

We still think well of Ohio Cities Gas. The recent decline in the stock we attribute to technical market conditions—more specifically to the recent raids on the oil stocks—and we do not think this decline should frighten holders of Ohio Cities. Most recent development in the company's affairs has been the acquisition of a large interest in the producing properties of the Oklahoma Producing & Refining Co., which should help Ohio Cities substantially; also, the company has recently acquired new refinery and pipe line capacity. In our opinion, the price of Ohio Cities stock has yet to reflect the earning power of the company.

BOND BUYER'S GUIDE

Arranged by F. M. Van Wicklen

THIS table includes many of the active bonds listed in the New York Stock Exchange. They are **classified** but not necessarily **recommended.** An endeavor has been made to arrange them in the order of desirability as investments, based upon **security of principal and income return.** The arrangement below attempts to balance these two factors. **This table appears in every other issue of this magazine.**

Foreign Government Bonds

	Apx. Price	Apx. Yld. %
*Anglo-French 5's, Oct. 15, 1920....	93¾	16.00
U. K. Gt. Brit. & I. 5½'s, 1929....	91½	6.75
U. K. Gt. Brit. & I. 5½'s, 1937....	86	6.95
U. K. Gt. Brit. & I. 5½'s, 1922....	92	8.90
Paris 6's, Oct. 15, 1921...........	90	13.00
*Jap. 2nd Ser. 4½'s, 1925 (Par value, $972)	70	13.70
*French Cities 6's, 1934	90¼	7.00
U. K. Gt. Brit. & I. 5½'s, Nov. 1921	93¼	10.00
Dom. Canada 5's, April, 1921.......	97¾	7.55
Dom. Canada 5½'s, 1929............	93½	6.40
Dom. Canada 5's, April, 1926.......	93¾	6.25
Dom. Canada 5's, April, 1931.......	91½	6.05

Railroad Bonds Legal for New York State Savings Banks

First Grade:		
Lou. & Nash. Unified 4's, 1940....	79½	5.70
At. Coast Line Cons. 4's, 1952......	75	5.70
†So. Pac. Ref. 4's, 1955.............	76	5.55
Pennsylvania Gen. 5's, 1968........	89½	5.60
Nor. Pac. P. L. 4's, 1997...........	74	5.45
N. Y. Cent. 1st 3½'s, 1997.........	65	5.45
Union Pacific 1st 4's, 1947..........	80½	5.35
C., Burl. & Q., Ill. 3½'s, 1949......	71¾	5.40
†Atch., T. & S. Fe Gen. 4's, 1995...	76	5.30
‡Union Pacific Ref. 4's, 2008........	73	5.50
C., Burl. & Q. Gen. 4's, 1958.......	79	5.30
*Norf. & West. Cons. 4's, 1996......	76	5.30
C. & North West. Gen. 5's, 1987...	96¼	5.20
M., St. Paul & S. S. Marie Cons. 4's, 1938	78	6.00
Illinois Cent. Ref. 4's, 1955........	71	6.00
Nor. Pacific Ref. 4½'s, 2047.......	78	5.75
Lake Shore 1st 3½'s, 1997.........	69	5.10
C., M. & St. Paul Gen. 4's, 1989..	66	6.15
Del. & Hudson Ref. 4's, 1943.......	77	5.80
Nor. Pacific Gen. 3's, 2047..........	51¼	5.90
Gt. Northern 4¼'s, 1961...........	82½	5.30
Penna. Cons. 4½'s, 1960...........	91	5.00
Second Grade:		
*C., M. & St. Paul Conv. 4½'s, 1932	67½	8.90
C., M. & St. Paul Ref. 4½'s, 2014.	58	7.80
C., M. & St. Paul Conv. 5's, 2014..	67	7.50
N. Y. Cent. Ref. 4½'s, 2013.......	77	5.90

Railroad Bonds Not Legal for New York State Savings Banks

First Grade:		
C., Burl. & Q. Joint 4's, 1921.......	93½	9.30
Balt. & Ohio P. L. 3½'s, 1925......	79	8.60
‡Union Pac. Conv. 4's, 1927.........	84	6.85
Ches. & Ohio Gen. 4½s, 1992......	74	6.15
Seaboard Air Line 1st 4's, 1950....	55½	8.00
Lake Shore Deb. 4's, 1928..........	84	6.50
Col. & So. 1st 4's, 1929............	83	6.50
Ore. Sh. Line Ref. 4's, 1929........	80	6.90
At. Coast Line, L. & N. 4's, 1952..	69	6.25
Wabash 1st 5's, 1939................	88	6.05
Ill. Cent.-C., St. L. & N. O. 5's, 1963	80	6.35
Balt. & Ohio 1st 4's, 1948..........	63	7.00
‡Cent. Pac. Ref. 4's, 1949...........	71¼	6.10
*Virginian 1st 5's, 1962..............	84	6.05
Ore.-Wash. R. R. & N. 4's, 1961...	67½	6.20
Kan. City Term. 4's, 1960..........	70	6.00
Lehigh Valley 6's, 1928.............	100	6.00
Southern Cons. 5's, 1995............	82	6.15
N. Y. Cent., L. S. Coll. 3½'s, 1998	58	6.05
Union Pac. 6's, 1928.................	100½	5.95
†Chic. Union Sta. 4½'s, 1963........	78½	5.85
C., Rock I. & Pac. Gen. 4's, 1988..	71	5.80
Illinois Cent. 5½'s, 1934...........	91	6.50
Cent. of Ga. 6's, 1929..............	88½	7.75
Balt. & Ohio 6's, 1929..............	81½	9.00
‡Reading Gen. 4's, 1997.............	78½	5.15
Second Grade:		
Ches. & Ohio Conv. 4½'s, 1930....	72	8.50
*St. L.-San F. P. L. 4's, 1950.......	55	8.05
Den. & R. Grande Cons. 4's, 1936..	60	8.75
Ches. & Ohio Conv. 5's. 1946.......	76	7.10
So. Pac. Conv. 4's, 1929............	77¾	7.25
‡So. Pac. Conv. 5's, 1934............	99	5.10
C., Rock I. & P. Ref. 4's, 1934....	63	8.40
†Col. & So. Ref. 4½'s, 1935.........	69½	8.00
*N. Y. Cent. Conv. 6's, 1935.........	91½	7.00
*Pere Marquette 5's, 1956...........	83½	6.15
Kans. C. So. Ref. 5's, 1950........	70	7.50
Mo. Pac. Gen. 4's, 1975.............	54½	7.50
‡Erie Cons. 4's, 1996................	51	8.00
C., C., C. & St. L. Gen. 4's, 1993..	63	6.45
Western Pacific 5's, 1946...........	81	6.50
Mo., K. & Texas 1st 4's, 1990......	57	7.05
St. L. So. West. 1st 4's, 1989......	61	6.70
West. Md. 1st 4's, 1952............	50	8.70

‡Erie Gen. 4's, 1996	39½	10.00
Chic. Gt. West. 1st '4s, 1959	54	7.70
Southern Gen. 4's, 1956	56	7.55
Chic. & West. Ind. 4's, 1952	56½	7.70
Erie Conv. 4's, "D," 1953	37	10.80

Industrial Bonds

Western Elec. 1st 5's, 1922	95	6.90
Va. Car. Chem. 1st 5's. 1923	93½	6.90
*Midvale Steel 5's, 1936	82¼	6.80
*Beth. Steel Ref. 5's, 1942	84	6.35
‡Central Leather 1st 5's, 1925	94½	6.20
*Am. Smelt. & Ref. 1st 5's, 1947	83	6.30
Beth. Steel Ext. 5's, 1926	96	5.80
Armour R. E. 4½'s, 1939	83	6.00
‡Lackawanna Steel Cons. 5's, 1950	89	5.75
Rep. I. & Steel 5's, 1940	93	5.60
Indiana Steel 1st 5's, 1952	91	5.60
National Tube 1st 5's, 1952	91½	5.55
U. S. Steel 5's, 1963	96	5.25
Wilson & Co. 6's, 1941	95½	6.40
*U. S. Rubber 5's, 1947	82½	6.35
Inter. Mer. Mar. 6's, 1941	89	7.00
Am. Cotton Oil Deb. 5's, 1931	88¾	6.35
Gen. Elec. Deb. 5's, 1952	88	5.85
Int. Agricul. 5's, 1932	78½	7.80
Wilson & Co. 6's, 1928	92	7.30
Braden Copper 6's, 1931	91¼	7.20
‡Chile Copper 6's, 1932	77½	9.00
Colorado Ind. 5's, 1934	73	8.40
Col. Fuel & I. 5's, 1943	84	6.30
Texas Co. Deb. 6's, 1931	100	6.00

Public Utility Bonds

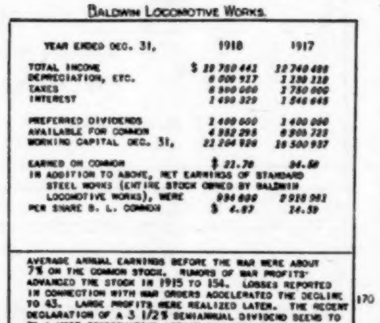
Manhattan Cons. 4's, 1990	57	7.05
Consol. Gas Co. N. Y. 7's, 1925	99½	7.05
*Amer. Tel. & Tel. Coll. 4's, 1929	77¼	7.35
*Amer. Tel. & Tel. Conv. 6's, 1925	97	6.65
*Amer. Tel. & Tel. Coll. 5's, 1946	81¼	6.50
*N. Y. Telephone 4½'s, 1939	80	6.30
Columbia Gas & Elec. 5's, 1927	84	7.85
New York Tel. 6's, 1949	93½	6.50
Int. Rap. Tran. Ref. 5's, 1966	48½	10.30
West. Union Tel. 4½'s, 1950	78	6.10
Hudson & Man. Ref. 5's, 1957	55	9.35
Public Serv. C. N. J. 5's, 1959	64	8.00

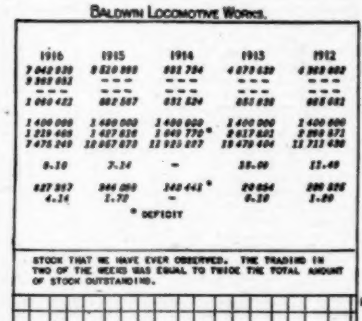
* In denominations of $100, $500 and $1,000.
† In denominations of $500 and $1,000.
‡ In denominations of $100 and $1,000.

Our Graphic Records Service

A Condensed Summary of Each Company's Position, Kept Down to Date Monthly

OUR new Graphic Records Service consists of a monthly book of 84 pages, published as soon as full quotations for each month are available. Sample pages (reduced in size) are shown





herewith. It will be seen that the information comes under four heads:

(1) Summarized income accounts for half a dozen years or more.

(2) Brief comments on the causes of changes in earnings and in prices.

(3) Monthly price movements for a period of years.

(4) Weekly price movements for 18 months, with weekly volumes of transactions in that issue on the New York Stock Exchange.

These multum in parvo volumes give

the investor just the information he needs, but which it would involve a great deal of labor to compile for himself. The more these books are studied the greater the number of interesting relationships that reveal themselves.

For example, the low point in the price of Baldwin was in March, 1915, while most stocks made their low in 1914. The reason was that the dullness of American business checked locomotive orders, and as a short war was then generally expected, the probability of war profits was not considered of much value to this company. And it was perfectly obvious, both from price movements and earnings, that Baldwin in the 30s was very cheap.

The sensational advance of 1915 was in anticipation of big war earnings. These came, but not until 1917; and in the meantime America's going into the war had depressed all stock exchange prices. The price of 43, touched in 1917, was simply ridiculous in view of the company's earnings and business on hand. Both this price and that of 154 in 1915 were examples of the extremes to which speculators may carry the price of a small issue of stock.

It will be remembered that the market as a whole made its bottom prices in December, 1917, but at that time Baldwin did not go as low as in the preceding February. The behavior of its price was just the reverse of that of 1914-15. This was because of the tremendously strong position of this company in 1917, and the price movement here gave a pretty strong hint of what was to come.

The decline which began in September, 1918, was clearly in anticipation of peace, and therefore the discontinuance of war business. It is noticeable, however, especially from the weekly price movements at this time, that a great deal of resistance was encountered—that is, the decline was much slower than the previous advance had been, and around the bottom the average weekly transactions became very small, showing that stock was not coming on the market freely. The reason was that the whole world was in need of locomotives, and investors therefore felt that this company must continue to do a good business. Also, a big cash surplus had been piled up, increasing the equity behind the stock—making it legitimately worth more money. And this fact, with the prospect of some sort of cash or stock distribution, was largely responsible for the bull movement which followed.

Recent developments are familiar. The bull position in Baldwin was forced out by the compulsory contraction of loans by the Federal Reserve Board. At the decline, however, this stock is holding its own better than many other issues.

These comments are only samples of the great help the investigator can gain from this service in the formation of a sound judgment as to whether prices are too low or too high to reflect fairly the outlook for any stock.

Magazine Wall St.:
Gentlemen—They have got to hand it to you. Your magazine is A No. 1.
SMALL INVESTOR.

Current Stock Offerings

The salient facts concerning current stock offerings. No opinion or rating of any kind is attempted, and the object is purely to keep the reader informed on the more important issues.

Wickwire Spencer Steel Corp. 8% Cum. Pref. This concern is a consolidation of the Clinton-Wright Wire Co., one of the largest manufacturers of wire products, and the Wickwire Steel Co., a large producer of pig iron, steel ingots, wire rods, etc. The new company is completely equipped with modern facilities to handle the production of steel wire goods from raw material to finished product, and the companies entering the consolidation have a business record of fifty years. Current sales are at the rate of $30,000,000, compared with an average of $21,300,000 for the three years ended April, 1919, and 1920 is expected to show a large increase. Net profits for the three-year average, after deducting depreciation and interest on the $12,000,000 new first mortgage bonds, amounted to more than four times the dividend on the preferred stock. Total net assets are equivalent to $267, and net quick assets to $127 per share of preferred. The sinking fund requirements will, it is estimated, retire the issue in about twenty years. Total issue of $7,500,000 offered at 99 and accrued dividend.

William Whitman Co. 7% Cum. Pref. The company was incorporated in 1913, but succeeded a partnership which had had a long and successful record. It sells the products of a number of New England textile mills, and also assists in the management of nine mills in which it owns large interests. During ten years of the partnership organization, gross sales averaged at the rate of $23,000,000 annually, but have since increased to the present rate of about $135,000,000 per year. The stock is strongly protected by assets aggregating $380 per share after deduction of good-will, etc., and the company agrees to maintain tangible assets at not less than $200 per share of preferred stock. Neither the company nor any of its subsidiaries has any funded debt or other preferred stock, and no such issues may be made in future without consent of two-thirds of the holders of the present issue. Earnings for 1919 (partly estimated) covered the amount of the preferred dividend more than eight times, and for the three years 1917-19 averaged nearly six times the dividend—an exceptionally strong showing, but due in large part, of course, to the war-time prosperity of the New England mills. Offered by a large investment house at par and accrued dividend.

Sherwin-Williams Co. 7% Cum. First Pref. This well-known concern is the largest manufacturer of paints and varnishes, and its products are sold by its own organization throughout the world. It controls large subsidiaries in Canada and England, thus controlling foreign markets to a large extent. The company owns and operates lead and zinc mines in New Mexico, thus obtaining a complete supply of raw materials, with a surplus which is sold in the open market. The size of the complete organization is indicated by its 35 manufacturing plants, 90 warehouses and 30 retail stores, which did a gross business of over $54,000,000 in 1919. The company ascribes its success not only to control of raw materials and an efficient distributing system, but to its well-trained personnel, which includes 878 traveling salesmen. All but one of the present Board of Directors have been in the service of the company for more than thirty years. The company has no funded debt, and agrees to maintain net tangible assets at $200 per share, the present assets being slightly above this figure. Net earnings have fluctuated somewhat during the war, but profits for 1919 were the largest in five years and will probably show further increase when the re-construction period is fully under way. There has always been a sufficient margin of safety during this period to protect dividends on the present issue. The stock is tax exempt in Ohio. It is offered at par.

Geo. P. Ide & Co. 8% Cum. Pref. Makers of a well-known brand of collars and shirts, marketed in the United States and many foreign countries. The business, conducted as a partnership for over fifty years, has recently been reorganized as a corporation. Plans for expansion and need for working capital explain the purpose of the new issue of $2,000,000 preferred stock. The new company remains in the hands of former interests. It is stated by President Twining, that there is a great demand for the company's products and that sales are only limited by manufacturing capacity. In addition to 18,000 domestic accounts, there are 1,300 active foreign accounts, principally in Scandinavian and South American countries. Losses from bad debts are said to be negligible. Average profits for the past four years averaged $400,000, and earnings for the current year are running at about double that amount, so that the margin of safety for preferred dividends would seem to be adequate. Net tangible assets per share amount to only $184 per share, but of this $146 is in quick assets, and inventories have been carried at original cost values. The stock is offered at 101, yielding 7.92%, and subscribers have the privilege of purchasing new common at $25 per share, to the extent of one-fourth of their holdings of preferred.

Union Twist Drill Co. 7% Cum. Pref. The Union Twist Drill Company is one of the largest manufacturers of cutters, drills, reamers and machine tools, and the company's products have a high reputation in the trade. It employs about 1,750 men, and labor conditions are said to be above the average. Total assets applicable to the preferred stock amount to $241 per share, replacement value of real estate and machinery being 50% in excess of book value. Earnings for the past five years have averaged 6.8 times the required dividend. The greater part of the issue will be used to retire the old company's stock, a reorganization having re-

cently been effected. The stock is offered at par.

Champion-International Co. 7% Cum. Pref. This company is a consolidation of two firms, one established in 1842 and the other in 1882, both being among the pioneer producers of coated paper for books and magazines. The $650,000 new preferred is protected by the usual safeguards as to sinking funds, future bond issues, etc., and is convertible into common stock share for share. Earnings for the past sixteen years averaged $120,000 as compared with the preferred stock dividend of $45,000. Earnings at present are running at the rate of $26 on the common stock, 6% being paid, so that although the common stock is now quoted 85 bid, none offered, it is quite possible that the conversion privilege may prove of value.

Armour Leather Co. 7% Cum. Pref. Mr. J. Ogden Armour has announced that subscriptions will be received to the preferred and common stock of the new Armour Leather Company, which is to acquire all the tanning and leather interests of Armour & Co. This is a result of the segregation policy of the packing interests, brought about by government prosecution and other factors. Officers and directors formerly connected with the business will remain in the new organization. The new company will handle an enormous business, as gross sales in this department were $90,000,000 in 1919. It will have an outstanding capitalization of $10,000,000 preferred, $15,000,000 common stock of $15 par value and 100,000 shares of founders' stock of no par value, the latter being acquired by Armour & Company at $5 per share. Average earnings for the last four years were more than six times the preferred dividend requirements, and were considerably larger in the last fiscal year. Net quick assets equal $160 per share and net assets $255. The preferred and common stock are offered in blocks, consisting of one share of preferred and 7 shares of common (par value $105) for $200 per block. The initial 10% subscription payment must be made by February 25, and the offering is subject to the subscription privilege extended to holders of Armour & Co. preferred stock.

Gillette Rubber Co. 7% Cum. Pref. This concern was organized in 1917 with an original capacity of 100 tires per day, which has been expanded to a present production of 1,000 tires and 200 raincoats a day. The business is said to be growing rapidly, all of the output for 1920 having already been sold, and the issue of stock is to provide for additional plant expansion. The company has no funded debt. Net tangible assets equal $359 per share, of which the quick assets amount to $207. Earnings for 1919 equaled about six and one-half times the preferred dividend requirements. This was partly an estimate, however, and was based on present financing. Earnings for previous years are not stated in the prospectus. More than half the $750,000 issue has already been sold through private subscription, and the balance is offered at 97, yielding 7.22%.

Current Bond Offerings

Briefly Discussed and Analyzed

Issue	Maturity.	Offering Price.	Approx. Yield to Maturity.	
Government and Municipal:				
*Kingdom of Italy 5-Year 6½s	Feb., 1925	97.50	7.00%	(e)
*State of Minnesota 5% Cert. of Indebt.	1921-'30	100.36@103.60	4.75	(a)
*Arkansas County, Ark., Road Imp. 5s	1920-'39	94.06@ 99.76	5.50	(a)
Little River County, Ark., Road Imp. 5s	1925-'40	94.06@ 97.65	5.50	(a)
County of Saratoga, N. Y., Coupon 5s	1925-'40	102.00@105.00	4.55	(a)
City of Birmingham, Ala., 5¼s	Feb., 1930	102.50	5.00	(a)
Town of Belleville, N. J., School 5s	1921-'60	100.24@104.46	4.75	(a)
City of Cincinnati, Ohio, Municipal 5s	June, 1967	102.69	4.80	(a)(d)
Public Utility:				
*Ohio Traction of Cin., 7% Coll. Notes	Jan., 1923	99.50	7.20	(b)
*Cincinnati Gas & Electric 7% Notes	Dec., 1922	99.50	7.20	(b)
Vermont Hydro-Electric First 6s	Oct., 1929	94.62	6.75	(b)(e)
*San Francisco-Sacramento RR. First 6s	1921-'40	....	6.25@6.75	(b)
Industrial:	Feb., 1930	99.12	7.12	
*Kennecott Copper 10-Year Secured 7s	Jan., 1935	100	7.00	(d)
*Wickwire Spencer Steel First 7s	1921-'25	100	7.00	(b)(d)
Larabee Flour Mills Corp. 7% Ser. Notes	1922-'26	98.50@ 99.50	6.25	(b)
*Gen. American Tank Car Equipment 6s	1921-'26	100	7.00	
Intern'l Prod. Steamship Equipment 7s				

(a) Exempt from Federal Income tax, including surtax. (b) Company pays normal income tax to the amount of 2%. (c) Exempt from Federal, State and Municipal Taxation as to interest and principal, excepting estate and inheritance taxes. (d) Available in $1,000 and $500 denomination. (e) Available in $500 and $100 denominations. (f) Exempt from State and local and from Federal normal income tax. (g) Without deduction from Federal income tax up to 4% so far as is legally permitted. (*) Discussed in text.

Cincinnati Gas & Electric 7% Notes. Issued for the purpose of installing a third 30,000-kilowatt generating unit, and to provide for other additions and betterments. The company has had a conservative record and prosperous history. Net earnings have shown an increase rather than a decline, and in 1919 were sufficient to cover interest charges on the new issue almost four times. In view of the rapid growth of the city of Cincinnati and the firmly entrenched position of the company, these notes would seem to be amply secured. With the same yield and maturity features as the Ohio Traction Co. notes, they would seem to be somewhat more attractive than the latter.

San Francisco-Sacramento R. R. First 6s. This road, which operates about 100 miles of main line and branches, principally between Oakland and Sacramento, serves a territory of about 1,000,000 people. It owns its own equipment, most of which is electrically equipped, and has an advantageous power contract with the Great Western Power Company. Net revenue after expenses and taxes has increased from $171,000 in 1915 to $296,000 in 1919, or nearly four times the resent interest requirements. The bonds are offered at prices to yield 6.25% to 6.75% and would seem to be a good investment for local purchasers. They would not have a wide marketability elsewhere perhaps.

Kennecott Copper 10-Year Secured 7s. These bonds, offered by a number of large investment houses, represent a far higher grade issue than the average mining company's bond. They are secured by a deposit of Utah stock at $30 per share, as against a present market value of about $70 (following the severe market decline). Utah Copper is generally regarded as one of the most valuable properties in the copper industry. Net earnings of the Kennecott Copper Corporation have averaged $17,000,000 for the past four years, and although the amount earned last year was only about $6,250,000, even these small earnings would amount to nearly six times the new interest charges.

Wickwire Spencer Steel Corp. First 7s. A description of the record and prospects of this concern will be found under "Current Stock Offerings." The $12,500,000 bonds are adequately secured by property values in excess of $32,500,000, and earnings for the past three years have been sufficient to cover interest charges four times.

General American Tank Car Equipment 6s. The certificates, maturing from 1922 to 1926, are secured by 1,750 steel tank cars, the mortgage representing about two-thirds the value of the equipment. The company is the largest manufacturer of tank cars in the world, having a capacity of 50 cars daily. As earnings for the year ended June 30, 1919, amounted to ten times the interest charges, the issue is strongly secured.

Kingdom of Italy 5-year External 6½s. With principal payable either in dollars or in lire at the fixed rate of seven lire to the dollar, these bonds would present opportunities for profit if the first should approach its normal parity of 5.18 to the dollar. However, as lire can now be obtained on the exchange basis of 18.22, this seems rather a tenuous possibility. But, considering the bonds purely as an investment for income, the yield of 7% makes them fairly attractive. The settlement of the Fiume and Adriatic problem will give Italy an opportunity to turn its attention to pressing internal questions While the foreign trade balance is still heavily against the country, this

is offset in part by the large sums sent or carried back by Italians in this country or elsewhere, which it is said amount to about $200,000,000 annually. It is also reported that measures are being adopted by Italy, in common with other European countries, to limit imports to the greatest possible extent. The bonds are attractive, though they do not present the profit possibilities of some French and Belgian bonds, nor the high yield of Japanese bonds.

State of Minnestoa 5% Cert. of Indebtedness. A serial issue of $7,500,000 designed to provide for payment of bonuses to discharged soldiers and sailors. Protected by the taxing power of a prosperous State, whose estimated taxable property values aggregate over 1,000 times the amount of the issue. The State apparently has no other debt than these bonds, which have been held by the Supreme Court of Minnesota to be a constitutional and direct obligation of the State. The tax-exempt feature and the yield of 4.75% makes them attractive to institutions or persons paying heavy income taxes, who require a high degree of safety.

Arkansas County, Ark., Road Imp. 5s. Arkansas County is said to be one of the oldest and most prosperous sections of the State. The Northern Road Improvement District, which issues the bonds, situated forty miles from Little Rock and eighty miles from Memphis, has good transportation connections with both cities. Over half the district is in cultivation. Arkansas County is said to be the greatest rice-growing section in the United States, with land values averaging over $40 per acre. The district has a population of 20,000, and this small issue of $1,879,000, which are to be retired serially through levy of realty taxes, would seem to be adequately protected.

Little River County, Ark., Road Imp. 5s. These bonds, which are quite similar to those described above in respect to yield and other characteristics, would seem to be slightly more attractive because of the greater value of the acreage included in the district, which is said to average above $50 an acre. Taxes for payment of interest will amount to only 31 cents per acre, and including cost of serial retirement of bonds after 1925, 60 cents per acre. Taxes are collected by the same organization as State and county taxes, and must be paid ahead of the latter taxes, so that these bonds would seem to be as well protected as an obligation of the State.

Ohio Traction Co. of Cincinnati 7% Coll. Notes. This company's franchise was revised in 1918, and permits fares to be automatically increased to cover cost of operation and fixed charges, including sinking funds for bond redemption. The $2,250,000 3-year notes now being issued are a second lien, following the $1,958,000 5% bonds, upon equities valued at $11,410,000.

Financial News and Comment

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither The MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.—Editor.

RAILROADS

BOSTON & MAINE.—Plans New Issue.—The company is considering the issuance of $10,000,000 equipment trust notes for the purchase of new rolling stock. The Director-General has allocated to the road 20 locomotives, 1,500 gondola cars and 500 box cars.

Petitions asking for allowance of counsel fees and disbursements amounting to $163,946 in connection with the receivership have been filed in the Federal Court. If the petitions are allowed, the total legal expense of the receivership will be about $200,000. For details as to earnings and outlook see analytical article published in this issue.—V. 25 Nos. 3, 4 and 5. Pgs. 162, 250 and 335.

CENTRAL OF N. J.—Annual Report.—The road in its report for the past year should show earnings of about $20.95 a share on the $27,436,800 stock outstanding, estimated on the basis of certified standard return for the year, allowance being made for a change in tax rate and for increased corporate expenses.

CHICAGO & NORTH WESTERN.—Gross Increases Considerably.—The gross earnings of the road for the past year were $139,589,915, compared with $127,295,678 in the preceding year. The net operating income for the year amounted to $12,678,750, an increase of about 2% over 1918.

FRISCO.—Annual Report.—The balance available for income mortgage bond interest in 1919 is estimated at $1,835,827. The rate is 5.12%, so that the obligation to declare 5% payable would rest on the directors of the road. The figure given above is somewhat less than the corresponding surplus for 1918, due chiefly to an increase in fixed interest in the latter year. The road sold, as of December, 1918, $10,598,000 6% mortgage bonds, part of the proceeds of which were used to take up the $5,210,000 floating debt.

LOUISVILLE & NASHVILLE.—To Aquire New Lines.—The company plans the acquisition of the Rockcastle River Ry., and the Cumberland R. R. from East Bernstadt to Bond, Ky., and Barbourville to Manchester, Ky., respectively. The Rockcastle line will be extended 30 miles from Bond to a connection with the company's Lexington & Eastern division.

MISSOURI PACIFIC. — Income Statement.—For the year ended December 31, 1919, under Federal compensation, the company will probably show earnings of about $5.99 a share on the $71,800,100 preferred stock. This estimate is based on other income and charges as reported for 1918, allowances being made for increased corporate expenses and lower tax rate. In 1918 the road earned $6.02 a share on the preferred stock.

Net operating income for the past year was $4,402,473, compared with $11,764,562 in the preceding year, a decrease of more than 66%.—V. 25, No. 7, P. 506.

N. Y. N. H. & H.—Selling Land Holdings. — The present real estate boom has affected the company's policy somewhat. During 1919 it sold about $1,000,000 worth of real estate in Boston, and further transactions are immediately pending which will bring the total amount up to approximately $1,200,000. According to estimates, the road has about $10,000,000 worth of land, not necessary to railroad operation, that can profitably be disposed of. Around $4,000,000 worth is in the city of Boston.

NORFOLK & WESTERN.—Income Statement. — Assuming that the road was operated for corporate rather than Government account, it would have earned a balance of $4,614,098 applicable to the common stock, or $3.82 per common share, based on 1918 other income and deductions. The showing for 1919 under Federal rental will probably vary in no great degree from the 1918 figure of $12.34 per common share. Net operating income of $10,363,405 in 1919 compares with Government compensation of $20,634,142.

PERE MARQUETTE.—Annual Report. — The net operating income for 1919 was $6,680,358, compared with $3,814,052 in 1918 and $5,559,601 in 1917, an increase of 80% and 20%, respectively. The balance available for common stock was $3,644,837, or $8.10 per share, if the company had been operated for its own instead of Federal account. The final net would be subject to adjustment on account of income taxes.

ST. LOUIS & SOUTHWESTERN. —**Gross Increases.**—Gross earnings for 1919 amounted to $20,661,163, against $19,588,761 in the preceding year, an increase of more than 5%. Despite the increase in gross, net operating income amounted to $1,569,500, compared with $3,329,615 in 1918, a decrease of about 53%.

SOUTHERN RY.—**Income Statement.**—The road's income for 1919, had it been operated for its own account, would have amounted, after corporate expenses, rentals, etc., to $10,095,529, applicable to the payment of $11,855,142 fixed charges, or about 85% of the requirement. These charges consist of $10,947,490 interest on funded debt, $681,644 interest on equipment obligations, and $226,008 dividends on Mobile & Ohio stock trust certificates.—V. 25, Nos. 3 and 5, Pgs. 164 and 336.

UNION PACIFIC.—**Earnings Show Increase.**—If the road had been operated for its own instead of Federal account, it would have earned $16.62 per share on its outstanding common stock of $222,291,000, compared with $12.87 actually earned in 1918 under Government compensation. On this hypothetical basis the road would be subject to tax on a larger income, which would diminish the surplus for the stock correspondingly.—V. 25, No. 4, P. 252.

VIRGINIAN RAILWAY.—**Net Increases.**—The road's net operating income for 1919 was $2,541,113, compared with $1,848,260, an increase of more than 35%, and with $4,429,331 in 1917. Gross for the past year increased from $11,906,444 in 1918 to $12,075,306. The balance after taxes amounted to $2,466,-896, an increase of more than 1% over the preceding year.

WABASH.—**Annual Report.**—Based on Federal compensation of $5,867,268 and estimated fixed charges and other income, the net for the past year would approximate $2,602,173, or $4.02 per share of preferred A stock. Were the company operated for its own instead of Government account, its gross income for 1919 applicable to charges would have amounted to $1,094,395, or 31.3% of the $3,495,225 deductions made in 1918. The net operating income for the year totaled $831,152, as compared with $5,867,268 Federal compensation.

INDUSTRIALS

AMERICAN BEET SUGAR. — **Marked Increase in Earnings.**—Estimates based on production and the present price of sugar indicate net earnings for the fiscal year ended March 31, 1920, of $2,050,000, applicable to the common stock, or about $1.4 a share, compared with $6 a share earned in the preceding fiscal year.—V. 25, No. 6, P. 424.

AMERICAN CAN.—**Earnings Decline.**—The company for the year ended December 31, 1919, reports net earnings, after all charges and taxes, of $5,180,225, equivalent, after preferred dividends, to $5.56 a share on the $41,233,300 common stock, as compared with $6,000,827, or $7.55 a share earned in the preceding year. The consolidated balance sheet shows $3,537,112 cash on hand, in addition to $9,765,232 accounts and bills receivable and $24,753,433 inventories. Accounts and bills payable amount to $5,272,314, and the contingency fund has been increased to $9,769,010.

AMERICA-LA FRANCE FIRE ENGINE.—**Strong Financial Position.** —Net earnings for the past year, after taxes, were about $30 share on the common stock of $10 par value (reduced from $100 in December). Although business is running at capacity, the company has no bills payable and ready cash in excess of $700,000, or about 50% on the common stock. The company's strong position and the steady character of its business justify the increase in the dividend rate to $1 a year on a $10 par value.

AMERICAN LOCO.—**Large Foreign Orders.**—Orders for nearly one hundred locomotives have been received by the company from both foreign and domestic sources in the last two weeks. The principal foreign orders are from Spain and China. Many inquiries have been received from domestic sources.—V. 25, No. 4, Pgs. 72 and 336.

AMERICAN STEEL FOUNDRIES. —**To Pay Stock Dividends.**—The company's annual report for the year ended

December 31, 1919, shows surplus, after charges and Federal taxes, of $4,210,634. After allowing for 3½% preferred dividends for six months, this stock being issued in June, 1919, the balance was equal to $7.55 a share ($33.33 par value) earned on the $17,184,000 common stock, as compared with surplus of $2,695,727, or $15.68 a share ($100 par value) earned on the $17,184,000 capital stock in 1918.

According to President Lamont, the company's large surplus may properly be capitalized through the issuance of stock, which in turn may be distributed as a stock dividend at 5% or 10% per annum over the next few years, irrespective of any cash dividends that may be paid.—V. 25, No. 5, P. 336.

ATLANTIC FRUIT.—Is Prosperous.—Earnings for the past year are estimated at $3,500,000, or about $9 per share of the 395,000 shares of capital stock of no par value. This compares with $1,550,989, or $3.93 per share in 1918. The company has a funded debt of $10,000,000 7% convertible debentures, callable at 110 to December 1, 1924, thereafter to December 1, 1929, at 107½; from this date to maturity, December 1, 1934, at 105. The debentures are convertible in common any time up to 90 days prior to maturity at the rate of 2 shares common for one debenture.—V. 25, No. 5, P. 337.

BETHLEHEM STEEL. — Income Statement.—The company's gross sales for 1919 were $281,641,907, compared with $448,410,808 in 1918. The net income was $15,536,861, or about $25 per share of common of both classes, compared with $15,930,390 in 1918. The present book value of the common stock is around $225 a share, which renders Bethlehem at the present low level attractive. Orders on hand at the year's close were $252,449,000, and new business booked during the year amounted to $204,144,000.—V. 25, P. 429.

FISK RUBBER.—Has a Record Year.—Net earnings for the past year, after all charges and provision for dividends on the first and second preferred stock, amounted to about $4,000,000, or approximately $9 a share on the $10,859,500 outstanding common stock, compared with $2,506,853 earned in 1918. The increase in earnings and the bright outlook for the future will probably lead to a declaration of an initial dividend on the common. V. 25, P. 112 (Art.).

FREEPORT TEXAS.—Earns Dividends.—The company, for the fiscal year ended November 30, 1919, is expected to show earnings about equal to the annual dividend of $4 a share on the 500,000 shares outstanding. Owing to the improved export business, which promises to continue satisfactory, and to growing domestic demand, the outlook for the coming year appears to be very bright.

GENERAL CHEMICAL.—Decrease in Net.—The net profit for the past year of the company and its subsidiaries was $2,708,961, or $10 a share on the common stock, after deduction of charges,

Federal taxes and preferred dividends. This compares with a net profit of $4,045,639, or $18.95 a share earned in the preceding year. The decrease in gross sales after the armistice is no doubt responsible for the decline in profit. However, favorable legislation having been passed, the company should make a considerably better showing during 1920, especially because of the recent addition of a large warehouse at Pittsburgh and improvements to the Delaware works, near Marcus Hook, Pa.—V. 25, P. 203.

GENERAL ELECTRIC.—To Increase Capital Stock.—The company plans to increase the authorized capital stock from $125,000,000 to $175,000,000. Directors of the company also approved the new issue of $15,000,000 20-year 6% debentures.—V. 25, P. 203.

GENERAL MOTORS. — Bright Prospects.—Gross sales for 1919 are estimated at $700,000,000, compared with only $326,044,755 in the preceding year. Net earnings before taxes are estimated at $96,000,000, against $45,541,726 in 1918, an increase of more than 100%. The corporation expects to handle a gross business of one billion dollars in 1920, from which net earnings of $145,000,000, before taxes, are looked for.—V. 25, P. 510.

INTERNATIONAL MOTOR. — Consolidation Plan Consummated. 1919 a Record Year.—The plan under which the corporation takes over the New Brunswick plant and other assets (amounting to approximately $8,000,000) of Wright-Martin Aircraft Corp., has been consummated. It now seems probable that new temporary certificates covering the first preferred, second preferred and new common stock will be issued shortly in exchange for deposited stocks. When the consolidation is completed, the company will have outstanding about $16,000,000 first and second 7% preferred stocks and 78,000 shares of common of no par value. Earnings for 1919 were considerably better than in 1918, amounting to about $30 a share of common. The past year was the most successful in the company's history, shipments exceeding 5,000 trucks with production at the end of 1919, running at the rate of 6,000 trucks per year. As a result of enlargement of its existing plant facilities and by reason of the acquisition of the Wright-Martin plant, the company will be able to increase its output of trucks by 80% to 100% to a probable total of between 9,000 and 10,000 trucks. All three classes of the company's stock are expected to be listed on the Stock Exchange shortly, application for the first preferred having been made already.

INTERNATIONAL NICKEL. — Pronounced Decline in Earnings.—For the 9 months ended December 31, 1919, the company reports net profits, after charges and war taxes, of $1,799,957, equivalent, after deduction of preferred dividends, to 83 cents a share ($25 par value) earned on the $41,834,600 common stock, as compared with net profits of $5,072,458, or $2.79 a share in the corresponding period of 1918.—V. 25, P. 339.

MIDVALE STEEL.—Pronounced Decrease in Earnings.—The company's statement for 1919, as compiled from the quarterly reports, shows net profits, after charges and Federal taxes, of $10,387,418, equivalent to $5.19 a share on the stock, as compared with profits of $29,163,408, or $14.58 a share in 1918.—V. 25, P. 74.

MACON TIRE & RUBBER—Income Account.—Sales of the company for the year ending October 31, 1919, amounted to $3,468,858, with net profits of $223,705, or $2.60 of total outstanding common stock of $10 par value, an increase of 50 per cent. over the preceding year. Sales for the year ending October 31, 1918, were $2,324,144, with net profit of $203,436.

In the last few months the company has opened 10 additional direct factory branches in the U. S. and now has 18 branches in operation. The company expects to reach $7,000,000 sales in the present fiscal year.

MULLINS BODY—Bright Outlook.—The company has just completed new financing to take care of a large increase in the business. At the present time earnings are at the rate of $72,000 per month, but new business taken recently from one of the leading auto manufacturers will increase this by at least $600,000 a year, so that it is estimated earnings in 1920 will equal $13 a share.

NEWPORT NEWS SHIPBUILDING & DRY DOCK—Standard Oil Negotiations.—The company has agreed to construct 2 tankers of 20,500 tons each for Standard Oil, at a cost of $3,500,000 each, to be delivered early in 1921. The ships will have a speed of 11 knots and will carry a capacity cargo of 140,000 barrels of fuel oil. Standard Oil has also made arrangements with the Moore Shipbuilding Co. concerning construction of 3 tank ships of 10,400 tons each.

OHIO BODY & BLOWER.—Profits Increase.—The company reports that 1919 sales were $1,875,000 with estimated profits of $200,000 or $2 for each share of the 100,000 shares now outstanding. Sales for 1918 of $1,500,000 yielded $145,000 profits, or $1.45 per share, and in 1917 the profits were 75c., or $.... per share.

PERFECTION TIRE.—Outlook for 1920.—Sales in 1920 are estimated at about $7,000,000, which will leave a net profit of $1,500,000, or $1.20 per share of the company's total outstanding of $12,500,000 of $10 par value, or 20% on the total common stock.

REPOGLE STEEL.—To Increase Output.—The company is making an

expenditure of $2,000,000 on its plant at Wharton, N. J. As a result of this improvement, by next August, the company should be in a position to turn out 1,000 tons of pig iron daily from the Wharton plant.

R. J. REYNOLDS TOBACCO CO. —New Issue.—A banking syndicate, headed by Bernhard, Schalle & Co., New York, and the Wachovia Bank & Trust Co., of Winston-Salem, will underwrite the issue of $10,000,000 preferred stock which is being offered to stockholders. With the continuance of an unusually good demand for the season, the prospects for the company are excellent.

SAVAGE ARMS.—Record Earnings in 1919.—Operating results for the last quarter are estimated at about $1.50 a share on the $7,748,000 common stock outstanding. In the first nine months of the year the company earned $18.78 a share on the junior stock, so that total earnings for the year may be placed at slightly over $20 a share, compared with $16.79 earned in 1918 and $15.44 in 1917.

The company begins the new year with a satisfactory demand and a fair volume of business booked ahead. Operations at its plants at Utica, N. Y., and Sharon, Pa., are at a higher rate than they have been at any time since the completion of its war contracts.

STUDEBAKER.—Has Best Year in History.—During the past year, the best in the company's history, 38,380 motor cars were produced and sold, for which $80,000,000 was received. On this basis net profits will probably exceed $10,000,000, after all charges and Federal taxes. The final balance, after all dividends, will approximate more than $20 a share of the $45,000,000 common stock now outstanding, compared with $10.38 a share on the common stock, after preferred dividends. The output during the current year is estimated at 80,000 cars and net sales at $150,000,000.

U. S. STEEL.—Important Decision by I. C. C.—A decision which will result in the railroads returning millions to large iron and steel plants, was made by the I. C. Commission, on complaint of the National Tube Co., a subsidiary of the corporation, against the Lake Terminal Co., Director General Hines and the trunk lines serving Lorain, O. The commission held the Lake Terminal Co., whose stock is owned by the company, is a common carrier, and is entitled to pay for switching freight to and from the plants of the tube company at Lorain.

The reversal by the commission means that 10c a ton must be paid by trunk lines on millions of tons of material delivered and taken from steel plants since 1914. The steel plants roads have an aggregate mileage of thousands. Lake Terminal, one of the small ones, has 51 miles of track. V. 25, Nos. 4 and 5, Pgs. 256 and 293.

WESTINGHOUSE ELECTRIC.—To Have Record Year.—Booking orders have climbed close to $15,000,000 a month, which compares with less than $100,000,000 during the early part of the current fiscal year. The big stride in booking of orders should enable the company to rival the record showing of the year ended March 31, 1919, when about $7 was left for a share of common, after all charges, taxes, and dividends on the preferred and common.

WILLYS-OVERLAND. — Manufactures Cars in England.—The company's cars are now being manufactured in Manchester, England, on American mass production lines, the company joining with the British firm of Crossley Motors, Ltd. A separate corporation has been formed under the title of the Willys-Overland-Crossley, Ltd. The British Foreign & Colonial Corporation is offering £1,000,000 10% preference shares of the new company. V. 25, No. 4, P. 257.

PUBLIC UTILITIES

AMERICAN LIGHT & TRACTION.—Earnings Increase.—The company reports net earnings for 1919, of $4,142,863 against $4,014,801 in the previous year. If it were not for labor troubles in a plant of a subsidiary company which supplied coke oven gas, earnings would have been considerably larger. The annual surplus available for dividends amounted to $4,142,863. Since dividends aggregated $5,685,447, the total profit and loss surplus was reduced to $10,324,745, the deficit for the year being $1,542,584.

AMERICAN TEL. & TEL.—To Have Record Year.—The net income available for dividends for 1920 is estimated at $11 a share compared with $10.04 in 1919. This figure is based on the fourth quarter of 1919, on the great expansion program to meet which $50,000,000 notes were issued last fall, and on the company's plans to save labor and its more efficient equipment, including automatic service.—V. 25, P. 512.

BROOKLYN EDISON. — Annual Report.—The company reports net surplus for the past year of $3,441,158 or $19.90 per share of $17,292,800 common stock.—V. 25, P. 512.

B. R. T.—Subway Traffic Increasing.—In the fiscal year ended October last, the number of passengers carried on the B. R. T. lines increased 7.7% over the corresponding period in 1918. The number of passengers carried on all New York traction lines exceeded 2,080,000,000, an increase of 5.3% from the preceding year.—V. 25, P. 257.

CITIES SERVICE.—To Make Further Distribution on Bankers' Shares.—In addition to the 45.8% distribution on Feb. 2, 1920, on the Bankers' Shares, there will be a further distribution by reason of the increase in the stock dividends on the common from 12 to 15% per annum. This additional amount will be calculated on the market price of Cities Service common stock on January 16, 1920. V. 25, Nos. 3, 4 and 5, Pgs. 166, 167, 257 and 341.

COLUMBIA GAS.—Increases Dividend Rate.—Total net income for the past year after all fixed charges amounted to $3,255,057 or $6.51 per share of common, compared with $3,199,198 or $6.40 per share in 1918. Through the declaration of a quarterly dividend of $1.25 a share, payable February 16 to holders of record January 31, the stock was placed on a $5 per annum basis compared with the present rate of $4 a year, which had been in effect since May, 1917. The total gasoline production for 1919 was approximately 14,800,000 gallons compared with 12,468,177 in 1918, an increase of about 20%.

COMMONWEALTH POWER. — Merger of Michigan Subsidiaries.—The Consumers Power Co. has acquired the Michigan Light Co., both operating in Michigan. Preferred stock of the former is exchangeable for preferred stock of the latter on a share for share basis. An equal exchange of common stock, which is all owned by Commonwealth, will also be made. Undistributed earnings accruing to the company for 1919 amounted to $1,079,353 or $5.14 a share of common stock.—V. 25, P. 218.

CONSOLIDATED GAS OF N. Y.—To Issue New Bonds.—Stockholders of the company ratified the proposition to create an issue of $25,000,000 5-year secured 7% convertible bonds to be dated February 1, 1920. They are redeemable September 1, 1922, or thereafter on 60 days' notice and convertible February 1, 1922, into an equivalent of the company's stock. The P. S. C. of the First District also authorized the issue of $24,615,500 in capital stock for the purpose of converting the bond issue into capital stock. $24,278,247 of the proceeds is to be devoted to the discharge of the company's 6% convertible debentures maturing February 1, 1920.—V. 25, P. 505.

DETROIT EDISON.—Income Account. — The annual surplus after charges and taxes amounted to $2,556,735 or $9.93 a share earned on the $25,742,700 capital stock compared with $2,394,223 or $9.31 a share in the preceding year. The balance after payment of $2,058,531 dividends amounted to $498,204, an increase of more than 45% from 1918.—V. 25, P. 512.

INTERBORO R. T.—Trustee Appointed for New Loan. Asks for an 8-Cent Fare.—The Guaranty Trust Company has been appointed trustee under the company's indenture, dated December 31, 1919, securing an authorized

issue of $2,900,000 6 months' 7% notes. The company has filed an application with the Board of Estimate asking for an increase in fare to 8 cents, effective until June 30, 1920. After paying operating expenses and taxes the company will use the additional income for payment of fixed charges including interest on $160,000,000 first and refunding mortgage bonds and $39,000,000 three-year lease. V. 25, No. 4, P. 257.

New York & Queens Railway.—Discontinuence Threatened.—The company will be obliged to suspend operations unless relief will come shortly. Manufacturers of College Point are about to petition the Board of Estimate to allow the company to charge a 10-cent fare, the manufacturers to pay one half of their employees' fares. Over 10,000 men are employed in various College Point plants. The company is a subsidiary of the I. R. T. and has long been operating at a deficit.

PACIFIC GAS.—Offers New Stock.—Heavy Loss Through Old Gas Rate.—The company is offering $2,000,000 additional 1st 6% preferred at 86¼, proceeds to be used for plant and property extensions. The new stock offered will increase the outstanding preferred stock to $30,025,155. The company also has outstanding $34,004,058 common and $81,461,300 bonds.

A recent decision of the Master in Chancery upheld the validity of the 75c. gas rate. The company attacked the rate as confiscatory and through a temporary injunction collected a rate of 85, giving bonds to the court that if the 75c. rate was upheld the company would return the excess collected with 7% interest, which now amounts to $1,376,874.—V. 25, P. 75.

PHILADELPHIA COMPANY.—Net Increases. Brings In New Well.—The forthcoming annual report of the company will show net earnings after taxes of close to $8,500,000, at the rate of between $15 and $16 a share on the common, compared with $6,448,694, or about $12 a share in the preceding year.

The company has brought in a gas well in the newly-discovered McKeesport field near Pittsburgh. The well is estimated to be good for several million cubic feet a day. Two other wells also came in, one doing 5,000,000 ft. and one doing 1,000,000 ft. daily.—V. 25, N. 4, P. 258.

THIRD AVE. RY. SYSTEM.—Deficit Growing.—The net deficit for the month of December, 1919, was $78,425, an increase of more than 20% from December 1918, despite the increase in operating revenue from $829,963 to $9,994,996. The deficit for the six months ended December 31, 1919 was $262,119 compared with $406,591 for the corresponding period in 1918. Operating revenue for the six months increased from $5,020,913 to $6,055,444.

TWIN CITY R. T.—Omits Dividends on Common.—The company earned $2.62 a share on its outstanding common, for 1919, after deduction of charges, taxes and 7% preferred dividends, against $2.18 a share in 1918. The company paid no dividends on the common in 1919, but in 1918 dividends amounting to $440,000 on the common shares were paid.

MINING NOTES

ANACONDA COPPER.—To Increase Operations.—The company is planning to produce tri-oxide of arsenic on an extensive scale and its output will dominate the market for this article which is used principally as sprays for fruit trees and for insect exterminators of various sorts.

It is also stated that the company has been speeding up its electrolytic zinc plant with result that during January it turned out 4,800,000 pounds of high grade spelter. The zinc refinery has a capacity for producing 9,000,000 pounds of high grade spelter monthly. While a good demand exists for this commodity, it has not yet reached large enough proportions to warrant operations up to plant capacity.—V. 25, P. 426.

CALUMET & HECLA.—Has Large Amounts of Unsold Copper.—Like the rest of the copper companies the Calumet & Hecla and its subsidiaries carried over into the new year considerable unsold copper. It is understood their unsold copper account on December 31 stood at roughly three months' mine output, which on present basis of operations would amount to between 28,000,000 and 30,000,000 pounds of metal.

Of course, a goodly portion of this is always on hand, being copper in process of treatment. The company has not offered its product down during the year just closed, preferring to stand aloof when quotations were wobbly, but during the past two months it has taken its share of the brisk business which has prevailed.—V. 25, P. 343.

N. J. ZINC.—Earnings Statement.—The company earned a surplus, after charges and taxes, of $2,675,412, equivalent to $7.64 a share, $100 par, on the $35,000,000 capital stock, in the quarter ended December 31, 1919, which compares with $2,313,969, or $6.61 a share, earned in the December, 1918, quarter. The net income for the year was $8,948,095. From this amount dividends of $7,000,000 and employees' profit distribution, amounting to $368,000, were deducted, leaving a surplus for the year of $1,580,095.—V. 25, P. 77.

NORTH BUTTE.—Makes New Strike.—The company has cut into 4 feet of ore assaying 5.2% copper at its Bertha claim, which is one of the East Side properties, comprising over 700 acres of mining land and which were acquired by the company some years ago. Full details of the depth at which the strike was made have not yet been received.—V. 25, P. 260.

SUPERIOR & BOSTON COPPER.—Reports Loss.—For the fiscal year ended September 30, 1919, the company shows gross receipts of $24,328, of which $8,445 represented ore sales and the balance interest, rentals, etc. Expenses amounted to $39,190, of which $17,586 was cost of ore and transportation and $20,850 represented expenses at the Boston office of the company. Loss for the year was $14,863.

TENNESSEE COPPER.—Shows Deficit.—Earnings of the company, which is a subsidiary of Tennessee Copper & Chemical, were considerably affected in the early part of 1919 by the low price of copper then prevailing, and it was not until the later months of the year that they started to improve. The company is therefore expected to show a small deficit for the year. The size will depend largely on the amount allowed for depreciation and various other changes, including war taxes due the Government from operations in 1919 and previous years, the exact amount of which to be decided on by the Copper War Tax Conference between the Department of Internal Revenue and officials of the large copper producers.—V. 25, P. 240.

UTAH-APEX MINING.—Makes Good Profits.—The company is shipping about 500 tons of ore a day and on the present high price of lead and silver—8½ cents a pound and $1.36 an ounce, respectively—the company is making a very good profit. Operations are to be increased until the capacity of the plant, 1,000 tons a day, is reached.

The final arguments in the litigation between the company and Utah Consolidated Mining were heard at Salt Lake City recently and a verdict is expected around March. The main issue is that the company has trespassed the property of Utah Consolidated.

WINONA COPPER.—Production Increasing.—If conditions continue normal the output for January should be around 150,000 pounds refined copper, against 147,000 in December and 135,000 in November. The company continues to increase production and to open up ground. The working force at the mine now numbers 250. Operations are confined to only 2 shafts, the old No. 1 and the No. 4 King Philip.

OIL NOTES

CONSOLIDATED OIL.—To Issue New Bonds.—The corporation is issuing $250,000 8% convertible bonds, for the purpose of drilling wells on its extensive properties, amounting to 7290 acres in proven fields, valued at $2,500,000. The company's earnings from its four wells is sufficient to pay the interest on the above issue over three times. Plans have been completed to drill 9 more wells on tracts in the Desdemona, Burkburnett, Homer, and Caddo fields owned by the company.

GENERAL ASPHALT.—Additional Stock Listed.—The Philadelphia Stock Exchange has listed $32,400 additional common stock of the company issued in exchange for $21,600 preferred. Rumors concerning the company's control by Royal Dutch are denied officially.

GILLILAND.—Running 20,000 Bbls. Daily.—The company has completed 4 more wells in the Homer field, with an estimated capacity of 28,000 barrels. Gilliland and Foster, which is Gilliland's partner in the Homer field, are running to pipe lines, tank cars and storage over 20,000 barrels of oil per day from their 7 deep and 15 shallow wells in the Homer field, of which 10,000 barrels is net for Gilliland. V. 25, P. 260.

GLADYS-BELLE OIL. — Shows Profits.—The company reports net profit for the 10 months ended November 1, of $1,882,763, with an operating expense of $1,772,191. The stock which was placed on the market at $1 per share, is now quoted (at the Detroit Stock Exchange) at $1.35 for the common and $1.45 for the preferred. The common, of which $6,600,000 is outstanding, pays 1% a month and the $2,000,000 outstanding preferred is now on a 15% annual basis. Owing to the good prospects for investors, the company's stock is expected to make a strong bid for popularity with the motor issues on the Detroit Exchange.

HOUSTON OIL.—Increase in Production.—The company's production for the past year is expected to show a substantial increase over that of 1918. The Hull field where the principal properties of the company are located produced 1,163,500 barrels of oil in 1919 compared with 244,887 barrels in the preceding year, a net increase of more than 370%.—V. 25, N. 5, P. 434.

INVINCIBLE OIL.—Good Outlook for Increased Earnings.—The company has brought in a well with an estimated production of 2,000 barrels of oil daily on its Wright lease in the Ranger field. The new pipe line from the Homer field to the company's refinery at Shreveport, is also nearing completion. One 55,000 bbl. tank is finished, one nearly completed, and three more in course of construction. The pipe line

will have a capacity of 10,000 bbls. per day. It was also stated officially that the company's holdings in the Homer field had not been affected by salt water notwithstanding recent rumors.

MAGNOLIA PETROLEUM. — Strong Financially.—The company has brought in a 10,000,000 cu. ft. gas well near Duncan, Stephens County. It has also purchased the holdings of the Fortuna Oil Co., in Oklahoma and Louisiana, with a capacity of about 2,600 barrels. This ought to increase appreciably the earning power of the company which is in a very favorable financial condition at present, as was pointed out in an analytical article which appeared in a recent issue of the magazine.—V. 25, N. 4, P. 225.

MARION OIL.—Contracts for Additional Acreage.—The company has made a contract by which it acquires 3,600 acres of oil and gas leases in Texas. Marion Oil has now interests in about 110,000 acres of leases in Kentucky, Texas, Louisiana and a one-half interest in 21 producing wells in the Big Sinking Creek districts in Kentucky.

MEXICAN PETROLEUM. — Well Reopened. Earnings.—The big Casiano Well was opened for a test and showed no more water than when it was closed some time ago, when there was 3% water in the oil. The company's income for the past year, after income and profit taxes and after deduction of preferred dividends to about $15 a share of common stock, compared with $14,013 per share earned in the preceding year. The company's production is going forward at 100% of present capacity of shipments. The wells are capable of producing far in excess of any requirements now in sight. Storage facilities at Tampico are completely full of oil. The earthquake did absolutely no damage to any of the company's properties, and the Mexican authorities are in no way interfering with operations.—V. 25, N. 4, P. 261.

MIDWEST REFINING.—Acquires New Interests.—The company is said to have acquired a controlling interest in Wyoming Oil Fields Co., a subsidiary of the Franco-Wyoming Oil Co., which owns several thousand acres of proven territory in the Salt Creek oil field. The deal is understood to involve several million dollars. Wyoming Oil Fields Co. is capitalized at $8,000,000, and has paid dividends since 1913.—V. 25, N. 5, P. 344.

N. Y. TRANSIT. — Earnings Increase.—For the year ended Dec. 31, 1919, company reports net profits of $1,028,848, equivalent to $20.57 a share on the $5,000,000 stock, as compared with net profits of $914,294, or $18.28 a share, in 1918. Undistributed surplus for the past year was $28,848 or 58c. per share of common, compared with a deficit of $85,706 in 1918.

Ohio Cities Gas.—To Control Oklahoma Company.—With the purchase of the Union des Petroles goes a large amount of the shares of the Oklahoma Producing & Refining Company, held by that company. In addition Ohio Cities is said to have purchased about 100,000 shares of Oklahoma Producing stock in the open market, giving it a working control of that company.—V. 25, No. 5, P. 341.

PAN-AMERICAN PETROLEUM. Increased Earnings.—The company reports net profits after federal taxes for the past year, of approximately $7 a share, 40% greater than in 1918.

Temporary interchangeable certificates for class "B" common has been listed on the N. Y. Stock Exchange.

PRODUCERS & REFINERS—Operations—Declaration of Initial Dividend.—The corporation is drilling an offset well to Standard Oil Co. of Louisiana's 20,000 barrel gusher in the Homer Field. The company has 2,000 acres of well-located land in this field, now the biggest new production of any field in the country. With a probable increase in its production and a consequent increase in its earnings, the company declared an initial dividend of 1¼% on its stock, payable February 1 to holders of record December 31. The company's annual net earnings after all charges and deductions are estimated at about $2,400,000, or about $2.40 per share of the total outstanding stock. With further extensions and improvements under way the company is likely to do considerably better in the coming year.

SAVOY OIL.—Issues New Common.—Directors of the company have authorized the issue of 30,000 shares of unissued stock at $5 par, to holders of record December 15, 1919, at one share of unissued stock for every 4 shares now held. The company's earnings for 1918 declined markedly compared with 1917, showing a deficit of $26,575, or about 22c per share, against a surplus of $36,494 in 1917. Although the company has paid uninterrupted dividends since 1912 (having been organized in 1905), the financial position of the company is not particularly strong, the working capital for 1918 amounting to a little over 76c per share.

STANDARD OIL COMPANY OF OHIO—Increases Capital—Income Account.—The company will hold a special meeting January 12 for the purpose of increasing the authorized capitalization from $7,000,000 to $21,000,000. Of the new stock, $7,000,000 will be common stock to be issued by directors from time to time. The remaining $7,000,000 will be 7% cumulative preferred and is to be offered to holders for subscription, share for share, at par, $100, payments to be made in full March 1, 1920, or quarterly payments on the first of March, April, May and June next. Books for the transfer of common stock will close December 31 and reopen February 9.

For the 6 months ended June 30, 1919, the company shows net profit, after taxes, of $2,081,598, equal to $29.73 a share on

the $7,000,000 stock, compared with $36.89 a share in the entire preceding year.

TEXAS PACIFIC COAL & OIL COMPANY.—Local Texas newspapers give more details of the strike made by this company on February 6, when a 40,000,000 cubic foot per day wet gas well came in on its Garner lease in Erath county, six miles east of the headquarters of the company at Thurber. The gas pressure was so great that the tools were blown out of the hole, the gas pocket being reached at a depth of about 3,000 feet. The company is understood to have three other wells drilling in this section, as this big gasser unquestionably indicates the nearby presence of another oil pool. There is much activity in this vicinity, the papers reporting immediately following the discovery of this big well, that royalties were selling up to $800 per acre, which would mean $6,400 for full purchase per acre. The well was promptly capped and will remain so until piping facilities can be provided.

TEXAS COMPANY.—New Well Brought In.—The company has brought in a new well with an initial daily capacity of 30,000 bbls. Operators in that district see in this the opening of a new pool, as it is on the extreme eastern part of the oil field in the West Columbia pool, South Texas.—V. 25, P. 345.

TRANSCONTINENTAL OIL—To Operate in Roumania.—The company has closed a contract for a large acreage of proven oil territory in the heart of the Rumanian field intermingled with that of the Standard Oil Company and the Dutch Shell. Negotiations are under way for refineries that have been constructed but have been closed down during the war. Equipment for drilling operations has been secured and preparations for extensive developments are being made by representatives of the company now on the ground. Announcement is also made that drilling operations have again been started on a large scale in the Ranger field because of the recent completion of the company's pipe line. This pipe line is one hundred miles long and runs into the refinery at Fort Worth from the Caddo, Desdemons and Burkbernett fields. The Rumanian Government owns and operates all pipe lines in that country—so that the company will not have to construct pipe lines.

WESTERN STATES OIL & LAND COMPANY—Increases Capital.—The company has increased its capital from 1,000,000 to 10,000,000 shares of $1 par value.

The company was incorporated in 1918 in Colorado, controls about 8,000 acres of oil lands in Wyoming, and is a subsidiary of the Midwest Refining Company.

Since all the new stock not subscribed by shareholders will be underwritten, the company will have sufficient capital to extend operations.

WHITE OIL.—Bright Outlook.—The corporation has 20 rigs going in Louisiana, Oklahoma, Texas and Kentucky, and is producing in excess of

5,000 barrels a day, not including an estimated production of 15,000 barrels a day from its Homer wells when its pipe line is completed there. It has approximately 1,000,000 barrels of oil in storage. A 20-mile 6-inch pipe line from the Oakes lease to Russell, La., will be completed about Feb. 15. With the pumping stations now being installed, this line will be able to run about 15,000 barrels of crude daily. The drilling in Oklahoma is being conducted in the Beggs, Creek and Cushing pools. Five wells are being drilled in Texas, two in Burkburnett, one in Potter county, one in Desdemona, and one in Breckenridge. Seven wells are being drilled in Kentucky, following two recent completions there. The company recently brought in two wells in Goose Creek field, Texas, good for 250 barrels each.—V. 25, P. 516.

UNLISTED NOTES

CANADA CEMENT.—Strong Financial Position.—After providing for interest on bonds, dividends on preferred and common stock, and ordinary reserves, the surplus account has been reduced by $1,252,786. The financial position is strong, current, including investments and call loans, amounting to 7.74 times current liabilities. With a return of normal conditions the demand for cement will greatly increase and make possible the more continuous and efficient operation of the plants. This will tend to increase the earnings, part of which will be required to put the plants which have been idle since 1914, in first class condition and properly man them.

HOWES BROTHERS.—Financial Statement.—After deducting dividends on the company's preferred stock of $1,850,000 and the common of $1,150,000, and after payment of income and excess profit taxes, the undivided profits for 1919 amounted to $1,269,516, against $1,045,399 in 1918. The working capital was $4,937,971, leaving $2.69 on a share of common after paying out the total outstanding preferred, compared with $3,045,399 in 1918.

INLAND STEEL.—Earnings Statement.—The company reports net profits after all charges and Federal taxes of $5,065,113, equivalent to $20.24 a share on the outstanding capital stock, against $5,166,549, or $20.65 a share, in 1918.

MASON TIRE.—Shows Increase in Profits.—Sales for the first quarter of the present fiscal year, which quarter ended January 31, amounted to $1,313,927.35, an increase of more than 100% over the figures for the same quarter of last year, which totaled $630,930.16. The Mason factory expects to show better than a 100% gain on this year's business over last year. Net profit figures for this quarter are not yet complete, but show a handsome in-

crease over profits for the same quarter of last year. V. 25, P. 516.

McELWAIN COMPANY. — Large Increase in Sales. Change in Dividend Rates.—In connection with the offering of $2,500,000 new 7% preferred stock, the company stated that its sales in the year to end May 31, 1920, will be about $50,000,000, against $37,103,823 in the preceding year. The working capital of the company, as revealed by the balance sheet as of December 1, 1919, was $11,777,807, or about $90 a share of the outstanding capital stock of $13,090,000. The change in the dividend rate of the first preferred stock from 6% to 7%, recently authorized, will become effective May 1, 1920.

PATHE FRERES.—Reports large Orders On Hand.—The company's net earnings for the quarter ended January 1 were reported as more than ten times the dividend requirements on the $1,500,000 8% first preferred stock recently issued. The company reports orders on hand as three times those of the corresponding date of 1918.

OHIO BODY BLOWER COMPANY. — Expected to Earn $6. — The Ohio Body Blower Corporation was organized in November, 1919, in Ohio, succeeding the Ohio Blower Co. The capital is 100,000 shares of no par value. Earnings for 1919 have been estimated at $2 a share, after charges. The stock is now selling on the Boston Stock Exchange around 34½. The company recently received orders for 12,000 auto bodies, and earnings for the current year are expected to reach $6 a share. The stock must still be considered speculative.

PERFECTION TIRE.—Outlook for 1920.—Sales in 1920 are estimated at about $7,000,000, which will leave a net profit of $1,500,000, or $1.20 per share of the company's total outstanding of $12,500,000 of $10 par value, or 20% on the total common stock.

TILLOTSON MANUFACTURING. —Reorganizes. Good Outlook.—The recent reorganization of the company's personnel as well as manufacturing methods should help considerably the future earnings. The net sales for the period January 1 to January 27 amounted to $236,488, or about $3,200,000 per annum, which would indicate that the net earnings for the entire year should be at least about $7.00 a share on the common outstanding.

WILLIAM DAVIES COMPANY.— Earned Dividends Three Times Last Year.—William Davies Co. last year earned over three times the $4 dividend on the Class A shares. The stock is fairly well secured, and it is planned to make application to list on the New York Stock Exchange. This issue is well sponsored and, while it is not in the seasoned investment class, it appears rather attractive. The company specializing in the export of hams and bacon, is a small one, but has been in business for fifty years. Plants are at Toronto, Chicago and Montreal.

The New-Book Letter

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December 27th

German Municipal Bonds
U. S. Steel
Chicago Pneumatic Tool
Packard
General Chemical
Replogle Steel
Worthington Pump
Commonwealth
Power R'y & Light
Jerome Verde
Nevada Consol.
Calif. Petrol.
Magnolia Petrol.
Standard Motors

January 10th

Rails earnings above government guarantee
United Retail Stores
Prospects of the Sugar Stocks
Maxwell Motor
American Ship and Commerce
American Ice
The Boston Coppers
Simms Petroleum
Endicott-Johnson
Brown Shoe Co.
W. L. Douglas Shoe Co.

January 24th

The Chain Stores
Diamond Match
Western Pacific
U. S. Realty & Improvement
Kelly-Springfield
I. R. T. Bonds
Utah Copper
Atlantic Lobos Oil
Babcock & Wilcox

February 7th

Railway Steel Spring
Lackawanna Steel
Wright Martin and International Motor
Canadian Pacific
International Paper
Continental Motors
Cities Service
Kennecott Copper
Pennsylvania Coal and Coke
Possibilities in the Jerome Camp

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Important Dividend Announcements

To obtain a dividend directly from a company, the stock must be transferred into the owner's name before the date of the closing of the company's books.

Ann. Rate	Name	Amt. Declared	Paid to Stock of Record	Div. Payable
4%	Amer Cotton Oil, c	1 %Q	2-14	3- 1
8%	Am Dr Syn ($10).	4 %S	1- 7	2-28
3%	Amer Linseed, c..	¾%Q	3- 1	3-15
7%	Am Smelt & Ref, p	1¾%Q	2-13	3- 1
4%	Am Smelt & Ref, c	1 %Q	2-27	3-15
7%	Am Sumatra Tob, p	3½%S	2-14	3- 1
10%	Am Sumatra Tob, c	2½%Q	1-23	2- 2
5%	Amer Tel & Cable.	1¼%Q	...	...
20%	Amer Tobacco, c..	5 %Q	2-14	3- 1
7%	Am Wind Gl Co, p	3½%S	2-20	3- 1
7%	Am Wind Gl M, p	3½%S	2-20	3- 1
$4	Anaconda C ($50).	$1 Q	1-17	2-24
6%	Asso Drygoods, 1st p	1½%Q	2- 9	3- 1
7%	Asso Drygoods, 2d p	1¾%Q	2- 9	3- 1
6%	At, T & S Fe, c...	ss1½%Q	1-30	3- 1
....	Atlas Pow	3 %	2-28	3-10
4%	Balt & Ohio, p....	ss2 %S	1-17	3- 1
8%	Brooklyn Edison ..	2 %Q	2- 6	3- 1
7%	Brown Shoe, c......	1¾%Q	2-20	3- 1
$8	Buckeye P L ($50)	$2 Q	2-21	3-15
6%	Cities Service, p B.	½%M	2-15	3- 1
6%	Cities Service, p...	½%M	2-15	3- 1
6%	Cities Service, c...	½%M	2-15	3- 1
....	Cities Serv, c ext.	e1¼.%	2-15	3- 1
....	C S, bs sh (no par).	gg54.75c	2-15	3- 1
$3.50	Cl & P, r g ($50).	ss87½c Q	2-10	3- 1
$2	Cl & P, s g ($50).	ss50c Q	2-10	3- 1
7%	Consolidated Cig, p.	1¾%Q	2-14	3- 1
7%	Consolidated Gas..	1¾%Q	2-10	3-15
$3	Crescent P L ($50).	75c Q	2-21	3-15
7%	Deere & Co, p....	1¾%Q	2-14	3- 1
9%	Del & Hudson....	ss2¼%Q	2-26	3-20
8%	Detroit United Ry.	2 %Q	2-14	3- 1
8%	Diamond Match....	2 %Q	2-28	3-15
12%	Dominion Oil.....	1 %M	2-15	3- 1
7%	Eastern Steel, 1st p.	1¾%Q	3- 1	3-15
7%	Eastern Steel, 2d p.	1¾%Q	3- 1	3-15
5%	General Asphalt, p..	1¼%Q	2-14	3- 1
8%	General Chem, c..	2 %Q	2-20	3- 1
7%	General Cigar, p...	1¾%Q	2-24	3- 1
6%	Harb-Walk-Ref, c..	1½%Q	2-21	3- 2
7%	Hartman Corp	1¾%Q	2-18	3- 1
4%	Hart, Schaf & M, c	1 %Q	2-19	2-28
7%	Illinois Cent ($50).	ss1¾%Q	2- 6	3- 1
8%	Inland Steel	2 %Q	2-10	3- 2
7%	Int'l Harvester, p..	1¾%Q	2-10	3- 1
7%	L of Woods Mill, p	1¾%Q	2-21	3- 1
12%	L of Woods Mill, c.	3 %Q	2-21	3- 1
$4	Lehigh C & N ($50).	$1 Q	1-31	2-28
12%	Liggett & M Tob, c.	3 %Q	2-16	3- 1
10%	Manati Sugar, c..	2½%Q	2-16	3- 1
7%	May Dept Stores, c.	1¾%Q	2-16	3- 1
$1.20	M States Oil ($10).	10c M	2-20	3- 1
....	M States Oil, ext.	x20 %	2-20	2-28
$3.50	Nat'l Acme ($50).	87½c Q	2-14	3- 1
7%	Nat'l Biscuit, p....	1¾%Q	2-14	2-28
7%	National Lead, p..	1¾%Q	2-20	3-15
8%	Niles-Bem't Pond, c	2 %Q	3- 1	3-20
7%	Norfolk & W, c..	ss1¾%Q	2-28	3-19
$4	Ohio C G c ($25).	$1 Q	2-14	3- 1
$2.50	Phila Co, old p....	$1.25 S	2-10	3- 1
12%	Pitts Plate Glass, p.	12 %A	2-12	3- 1
	Pitts Pl Gl c ext..	5 %	2-12	3- 1
7%	Pittsburgh Steel, p	1¾%Q	2-14	3- 1
6%	Pitts & W Va, p.	ss1½%Q	2- 2	2-28
12%	P Rican Am Tob.	d3 %Q	2-14	3- 4
$7	Pressed St Car, p.	$1.75 Q	2-18	3- 2
$8	Pressed St Car, c.	$2 Q	2-18	3-10
$2	R'g Co, 1st p ($50).	50c Q	2.20	3-11
7%	Savage Arms, 1st p	1¾%Q	3- 1	3-15
6%	Savage Arms, 2d p	1½%Q	3- 1	3-15
6%	Savage Arms, c....	1½%Q	3- 1	3-15
$20	Southern Pipe Line	$5 Q	2-16	3- 1
6%	Standard Mill'g, p.	1½%Q	2-18	2-28
8%	Standard Mill'g, c.	2 %Q	2-18	2-28
10%	Stand'd Oil of Cal.	2½%Q	2-14	3-15
....	St Oil of Cal, ext.	1 %	2-14	3-15
12%	Stand'd Oil of Ind	3 %Q	2- 2	3-15
....	St Oil of Ind, ext.	3 %	2- 2	3-15
12%	St Oil of Kansas..	3 %Q	2-28	3-15
....	St Oil of Kans, ext	3 %	2-28	3-15
16%	St. Oil of N Y....	4 %Q	2-20	3-15
7%	Studebaker Cp, p..	1¾%Q	2-20	3- 8
7%	Studebaker Cp, c..	1¾%Q	2-20	3- 1
7%	Union Tank Car...	1¾%Q	2- 5	3- 1
5%	U S Ct I P & Ry, p	1¼%Q	3- 1	3-13
6%	White (J G) & Co. p	1½%Q	2-14	3- 1
8%	Woolworth (FW), c	2 %Q	2-10	3- 1

d Payable in scrip.

gg Includes regular monthly ½% cash dividends and cash proceeds from sale of stock dividends due on Bankers Shares.

ss Subject to the approval of the Director General of Railroads. N. Y. Stock Exchange ruled stock does not sell ex-div. on stock of record date.

x Declared payable in stock.

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